

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
CITY OF ORANGE CITY, IOWA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

Prepared by the  
Office of the City Administrator  
Duane Feekes, City Administrator

CITY OF ORANGE CITY, IOWA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2011  
TABLE OF CONTENTS

**INTRODUCTORY SECTION**

|  | Page  |
|--|-------|
| Letter of Transmittal .....            | 1 – 3 |
| Organization Chart .....               | 4     |
| Directory of City Officials .....      | 5     |
| Appointed Boards and Commissions ..... | 6     |
| City Personnel .....                   | 7     |

**FINANCIAL SECTION**

|  |         |
|--|---------|
| Independent Auditors' Report.....          | 8 – 9   |
| Management's Discussion and Analysis ..... | 10 – 22 |

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

|                               |         |
|-------------------------------|---------|
| Statement of Net Assets ..... | 23      |
| Statement of Activities ..... | 24 – 25 |

**FUND FINANCIAL STATEMENTS**

**Governmental Funds Financial Statements**

|   |         |
|---|---------|
| Balance Sheet.....  | 26 – 27 |
| Reconciliation of the Balance Sheet to the Statement of Net Assets .....  | 28      |
| Statement of Revenues, Expenditures and Changes in Fund Balances .....  | 29 – 30 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities..... | 31      |

**Proprietary Funds Financial Statements**

|   |         |
|---|---------|
| Combining Statement of Net Assets .....                                   | 32 – 33 |
| Combining Statement of Revenues, Expenses and Changes in Net Assets ..... | 34 – 35 |
| Combining Statement of Cash Flows .....                                   | 36 – 39 |

**Fiduciary Funds Financial Statements**

|   |    |
|---|----|
| Statement of Fiduciary Net Assets ..... | 40 |
|---|----|

|                                     |         |
|-------------------------------------|---------|
| Notes to Financial Statements ..... | 41 – 63 |
|-------------------------------------|---------|

**Required Supplementary Information**

|  |         |
|--|---------|
| Schedule of Revenues, Expenditures and Changes in Fund Balance               |         |
| Budget and Actual, All Governmental and Proprietary Funds – GAAP Basis ..... | 64 – 65 |
| Notes to Required Supplementary Information .....                            | 66      |
| OPEB Schedule of Funding Progress .....                                      | 67      |

CITY OF ORANGE CITY, IOWA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2011  
TABLE OF CONTENTS

*FINANCIAL SECTION – (CONTINUED)*

|  | Page    |
|--|---------|
| <hr/>  |         |
| <b>Other Supplementary Information</b>                                 |         |
| <b>Governmental Non-Major Funds Combining Financial Statements</b>     |         |
| Balance Sheet.....   | 68 – 69 |
| Statement of Revenues, Expenditures and Changes in Fund Balances ..... | 70 – 71 |
| <b>Fiduciary Funds Combining Financial Statements</b>                  |         |
| Statement of Changes in Assets and Liabilities .....                   | 72      |

**STATISTICAL SECTION**

|  |         |
|--|---------|
| Net Assets by Component.....   | 73      |
| Changes in Net Assets.....   | 74 - 75 |
| Governmental Activities Tax Revenue by Source.....   | 76      |
| Fund Balances of Governmental Funds .....  | 77      |
| Changes in Fund Balances of Governmental Funds .....   | 78-79   |
| Assessed Value and Estimated Actual Value of Taxable Property .....  | 80      |
| Property Tax Rates Direct and Overlapping Government .....   | 81      |
| Principal Property Tax Payers .....  | 82      |
| Property Tax Levy and Collections.....   | 83      |
| Ratios of Outstanding Debt by Type.....  | 84      |
| Ratios of General Bonded Debt Outstanding .....  | 85      |
| Direct and Overlapping Governmental Activities Debt.....   | 86      |
| Legal Debt Margin Information .....  | 87      |
| Pledged Revenue Coverage .....   | 88 - 89 |
| Principal Employers .....  | 90      |
| Full-Time Equivalent City Government Employees by Function .....   | 91      |
| Operating Indicators by Functional Program .....   | 92      |
| Capital Asset Statistics by Function/Program.....  | 93      |
| Demographic and Economic Statistics .....  | 94      |
| <br>   |         |
| Independent Auditors' Report on Compliance and on Other Matters and on<br>Internal Control Over Financial Reporting Based on an Audit of Financial<br>Statements Performed in Accordance with <i>Government Auditing Standards</i> ..... | 95 – 96 |
| Schedule of Findings .....   | 97 – 98 |

December 1, 2011

To the Honorable Mayor, Members of the City Council,  
and Citizens of the City of Orange City:

State law requires the every general-purpose local government publish within nine months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2011.

Management assumes responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

William's & Company, Certified Public Accountants, have issued an unqualified opinion on the City of Orange City's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

The City of Orange City was incorporated in 1884, is located in the Northwest corner of the State of Iowa, and is the county seat of Sioux County. The City of Orange City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Orange City operates under the council-administrator form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and five Council members. The Council appoints the government's administrator, who in turn appoints the heads of the various departments with council approval. Council members serve four-year terms. The mayor is elected for a two-year term. The council members are elected on a staggered basis.

The City Administrator has operating responsibilities for all City functions excluding the Library and Hospital.

The City of Orange City provides a full range of Municipal services which includes police and fire protection; the construction and maintenance of streets, and other infrastructure; recreational and cultural activities; general administration and medical care facilities. The City of Orange City also owns and operates the electric, water, sewer, and gas utilities. The City of Orange City also is financially accountable for a legally separate hospital board, and golf course board of which is reported separately within the City of Orange City's financial statements. Additional information on the municipal hospital and golf course can be found in the notes to the financial statements.

The Council is required to adopt a final budget by no later than March 15<sup>th</sup>. This annual budget serves as the foundation for the City of Orange City's financial planning and control. Iowa budget law requires the adoption of legal budgets for expenditures on a program basis. Although the budget document presents program expenditures by fund, the legal level of control is at the aggregated program level not at the fund level.

### **Local Economy**

Orange City is located in Sioux County in the northwest portion of Iowa, which is noted for its excellent cropland and livestock production numbers. Industry plays a big part in Orange City's economic condition with the biggest three employers being Staples, Inc., an advertising and promotional products manufacturer, Advance Brands, Inc., a ready-to-cook food processor, and Diamond Vogel Paint and Wax, a full line paint manufacturer.

Fiscal year 2010-2011 was another great year for the community of Orange City. Many exciting trends and projects are taking place that continue to improve the quality of life for its citizens.

The city started a street construction project in our industrial park. This project is known as Industrie Centrum 3<sup>rd</sup> Addition Subdivision. The city will develop 55-acres that are located between 14<sup>th</sup> St. SE and 19<sup>th</sup> St. SE. The City Council approved the plat which contains 8, 3 to 4 acre lots and 3, 6 to 10 acre lots. The entire area is zoned for heavy industry. Once completed, we will be able to market "shovel ready" lots with all utilities available. This is critical to meeting short project construction timeframes. The cost of the project is approximately \$ 1.3 million dollars. The completion date is expected to be in the spring of 2012.

The city started the construction of an event center building. It is the development of a unique, two-story, multi-use, beautifully-designed "destination" facility and surrounding outdoor celebration area- with a pond, and connecting trail system- perfect for special events. It will uniquely showcase old-world European and Northern Plains historical architecture and landscaping design to complement and enhance Orange City's popular Dutch/Netherlands character. The total cost of this project is approximately \$ 5 million dollars. The completion date is expected to be May 2012.

The City of Orange City plays an important part in the community growth, which will continue with active participation in the planning process of our community.

### **Long-Term financial planning**

Management of the City of Orange City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the presentation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met.

Unreserved, undesignated fund balance in the general fund falls within the policy guidelines set by the Council for budgetary and planning purposes (i.e., between 44 and 50 percent of total general fund revenues). Following its recent review of the City of Orange City's strategic plan, the Council plans on keeping the percentage the same for the following year, this will reduce the amount that will be needed to borrow to finance future construction.

### **Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated service of the entire office staff. We wish to express our appreciation also to all our City employees for their dedication to making city services the best. Credit also must be given to the Honorable Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Orange City's finances.

Respectfully submitted,



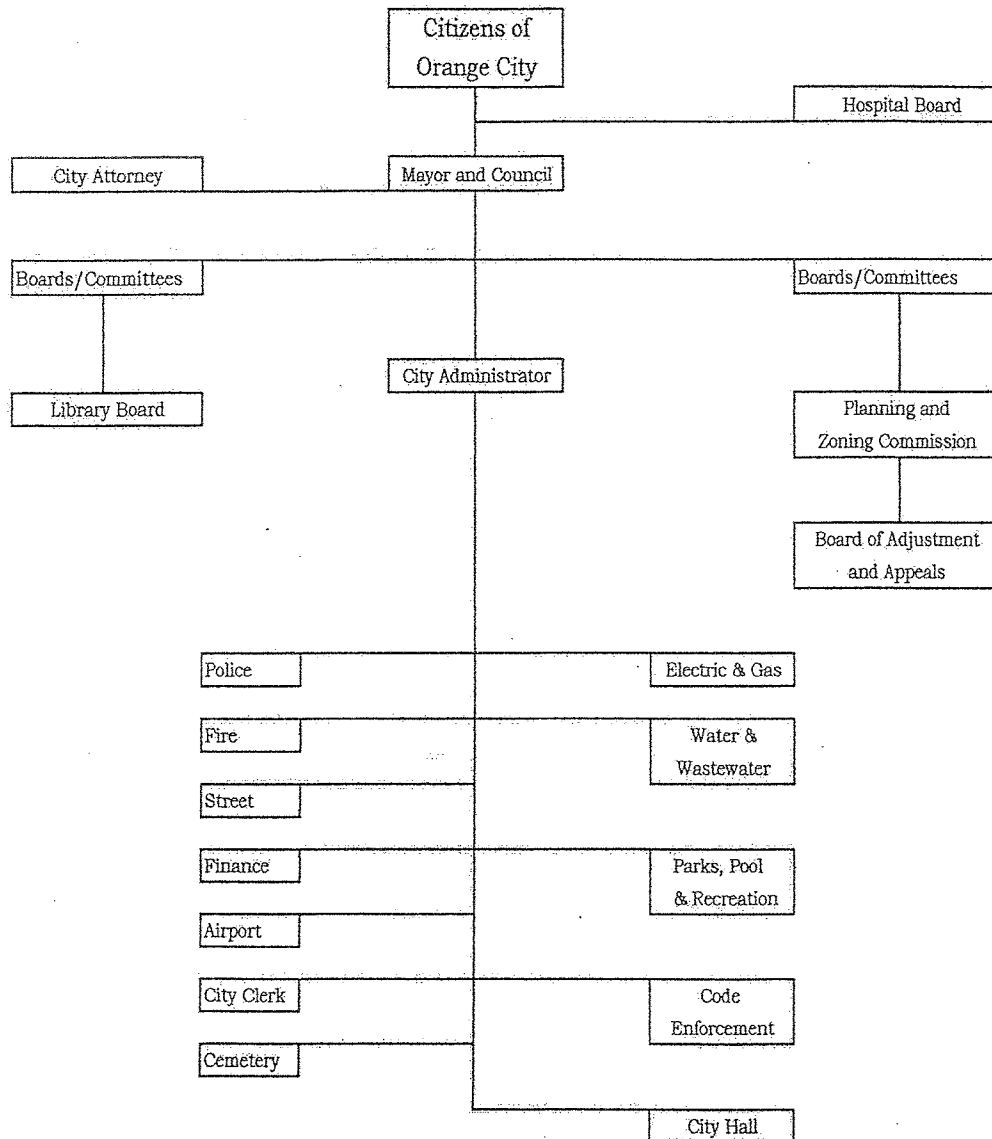
Duane Feekes  
City Administrator



Kent Anderson  
Finance Officer

# CITY OF ORANGE CITY, IOWA

## ORGANIZATIONAL CHART



CITY OF ORANGE CITY, IOWA

Directory of City Officials  
Elected City Officers  
June 30, 2011

---

**MAYOR**

Les Douma

**COUNCIL MEMBERS**

Rod De Boer  
Steve Roesner  
Mick Snieder  
Bruce Muilenburg  
Earl Woudstra

**HOSPITAL TRUSTEES**

Tim Zeutenhorst - Chairman  
Randy Jacobsma – Vice Chairman  
Russ Adams - Secretary  
Shirley Van Wechel  
Brenda Richardson  
Gary Vande Vegte

**APPOINTED CITY OFFICERS**

Duane Feekes  
City Administrator

Loren Veldhuizen  
City Attorney



## APPOINTED BOARDS AND COMMISSIONS

### ZONING BOARD OF APPEALS

Gary Cleveringa, Chairman  
John Kooiman, Vice Chairman  
Jason Bomgaars  
Arlin Smit  
Ben Van Engelenhoven

### PLANNING AND ZONING COMMISSION

Mark Lundberg, Chairman  
Dale Pluim, Vice Chairman  
Rhonda Moret  
Scott Heemstra  
Amy Schutt  
Scott Simmelink  
Marlin Vollink

### ARTS COUNCIL

Greg Haverdink, President  
Bob Hubbard, Vice President  
Mike Stokes, Treasurer  
Rebecca Donahue  
Lois Estell  
Julia Huisman  
Cheryl Kugler  
Judy Thompson  
Shelia Van Den Brink  
Janine Calsbeek, Executive Director

### LIBRARY BOARD OF DIRECTORS

Bruce Lefever, President  
Mabel Mantel, Vice President  
John Buntsma, Treasurer  
Dan Pluim, Secretary  
Joan Brower  
Elizabeth Kensak  
Colmann McAllister

### FIRE DEPARTMENT

Steve Brouwer  
Jason Bruinsma  
Rob Bruxvoort  
Arnie Carlson  
Ryan Dau  
Kevin Dekker  
Brian De Kock  
Jon DeKoster  
Brad De Vos  
Mike Dorr  
Steve Distler  
David Dykstra  
Josh Dykstra  
Michael Dykstra  
Mel Elsberry  
Jordan Gammon  
Chad Hase  
Tim Huffman  
Al Jeltima  
Ann Lundberg  
Taylor Malm  
Josh Meis  
Nate Mosterd  
Mike Ritz  
Dan Roghair  
Dan Schram  
Bruce Schutt  
Dennis Vander Wel, Chief  
Brent Van Leeuwen

## CITY PERSONNEL

### ADMINISTRATION

Kent Anderson  
Gary Blythe  
Janet Brown  
Duane Feekes  
Ted Loucks  
Ken Meendering  
Barb Ramsey  
Mary Wichers

Finance Officer  
Assistant Administrator  
City Clerk  
City Administrator  
Public Works Director  
Code Officer  
Billing Clerk  
Receptionist/Secretary

### POLICE DEPARTMENT

Dann De Vries  
Peter De Beer  
Duane Hulstein  
Bruce Jacobsma  
Jim Pottebaum  
Wesley Van Voorst  
Robert Van Zee

Chief of Police  
Police Officer  
Police Officer  
Police Officer  
Police Officer  
Police Officer  
Police Officer

### STREET DEPARTMENT

Luke Horkey  
Don Snieder  
Randy Van De Griend

Street Crewman  
Street Crewman/Mechanic  
Street Foreman

### PARKS AND RECREATION

Mitch Aalbers  
Brian Goslinga  
Rochelle Sapp

Director  
Park Maintenance  
Pool/Fitness Director

### MUNICIPAL BUILDINGS

Bill Van Marel, Jr.

Custodian

### UTILITIES

Gerry Bomgaars  
Alan De Boer  
Alan De Jong  
Ed De Jong  
Michael Klootwyk  
Kirk Maasdam  
Jerry Reuvers  
David Sassman  
Arlan Scholten  
Michael Verdoorn

Gas Utility Foreman  
Electric Line Maintenance Worker I  
Electric Line Maintenance Worker I  
Gas Utility Crewman  
Electric Line Maintenance Worker II  
Water & Wastewater Operator  
Water & Wastewater Operator  
Water & Wastewater Foreman  
Electric Department Foreman  
Electric Line Maintenance Worker I

### AIRPORT

Dan Vander Weide

Base Operator

### HOSPITAL

Martin W. Guthmiller  
Dina Baas

Administrator  
Chief Financial Officer

### LIBRARY

Karla Chase

Administrator



21 1<sup>st</sup> Avenue NW  
P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543  
[www.williamscpas.com](http://www.williamscpas.com)

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Members of the City Council  
City of Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Orange City Municipal Golf Association discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We did not audit the financial statements of the Orange City Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$53,578,691 and total program revenues of \$36,291,090 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Orange City Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for the retiree health plan on pages 10 through 22 and 64 through 67 be

to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011, on our consideration of the City of Orange City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Orange City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

  
Certified Public Accountants

Le Mars, Iowa  
December 1, 2011

## **Management's Discussion and Analysis**

**June 30, 2011**

This discussion and analysis of the City of Orange City financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2011. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report, as well as the separately issued financial statements of Orange City Municipal Hospital and Orange City's Municipal Golf Association, a discretely presented component unit of the City.

### **Financial Highlights**

- The assets of the City of Orange City exceeded liabilities at June 30, 2011 by \$29,957,975. Of this amount, \$6,536,726 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$142,211 during the year. Of this amount, the governmental activities decreased by \$ 1,130,961 and the net assets of our business activities increased by \$1,273,172, this includes a prior period adjustment of \$ 882,796.
- The City's long-term debt increased \$140,000 during the current fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

## REPORTING THE CITY AS A WHOLE

### The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works, and Parks departments, and general administration. Property Taxes finances most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, and Natural Gas funds.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City’s basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds are reported using the “modified accrual basis” of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City’s general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government- wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

## THE CITY AS TRUSTEE

### Reporting the City’s Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

## THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government’s financial position. The largest part of the City’s net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must

be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2011 and 2010.

|   | General Governmental<br>Activities |              | Business-Type Activities |              |
|---|------------------------------------|--------------|--------------------------|--------------|
|   | 2010                               | 2011         | 2010                     | 2011         |
| Current and Other Assets                        | \$ 5,079,897                       | \$ 5,435,658 | \$ 9,842,424             | 10,432,281   |
| Capital Assets                                  | 16,303,481                         | 15,835,514   | 17,276,648               | 17,696,884   |
| Total Assets                                    | 21,383,378                         | 21,271,172   | 27,119,072               | 28,129,165   |
| Long-Term Liabilities Outstanding               | 8,845,759                          | 9,506,535    | 6,149,357                | 5,652,186    |
| Other Liabilities                               | 2,858,416                          | 3,216,395    | 833,154                  | 1,067,246    |
| Total Liabilities                               | 11,704,175                         | 12,722,930   | 6,982,511                | 6,719,432    |
| Net Assets:                                     |                                    |              |                          |              |
| Invested in Capital Assets, Net of Related Debt | 10,393,481                         | 9,120,514    | 11,196,648               | 12,126,884   |
| Restricted                                      | 1,469,772                          | 1,183,616    | 1,114,056                | 990,235      |
| Unrestricted                                    | (2,184,050)                        | (1,755,888)  | 7,825,857                | 8,292,614    |
| Total Net Assets                                | \$ 9,679,203                       | \$8,548,242  | \$20,136,561             | \$21,409,733 |

|   | Totals       |              |
|---|--------------|--------------|
|   | 2010         | 2011         |
| Current and Other Assets                        | \$14,922,321 | \$15,867,939 |
| Capital Assets                                  | 33,580,129   | 33,532,398   |
| Total Assets                                    | 48,502,450   | 49,400,337   |
| Long-Term Liabilities Outstanding               | 14,995,116   | 15,158,721   |
| Other Liabilities                               | 3,691,570    | 4,283,641    |
| Total Liabilities                               | 18,686,686   | 19,442,362   |
| Net Assets:                                     |              |              |
| Invested in Capital Assets, Net of Related Debt | 21,590,129   | 21,247,398   |
| Restricted                                      | 2,583,828    | 2,173,851    |
| Unrestricted                                    | 5,541,807    | 6,536,726    |
| Total Net Assets                                | \$29,815,764 | \$29,957,975 |

This summary reflects a decrease of 11.68% for the governmental net assets and an increase of 6.06% in the business-type net assets. The business-type net asset increase is due to a prior period adjustment regarding Orange City Communications and a complete update of the accounting for property, plant and equipment in the electric fund. See note 17 regarding explanation of adjustment.

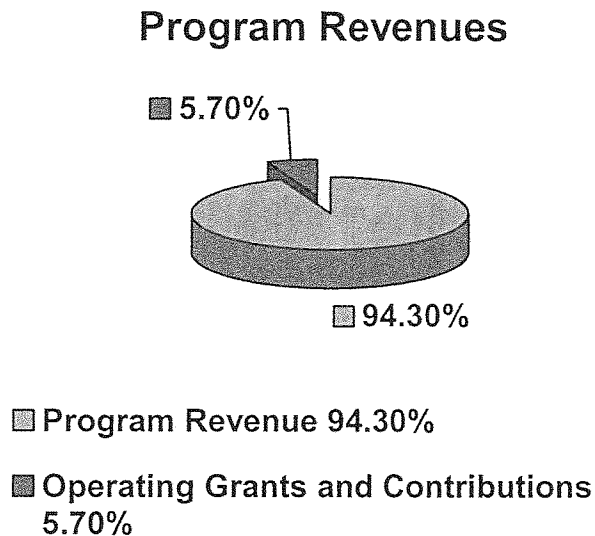
Total revenue reported in Fiscal 2011 was \$17,236,256. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2011 and 2010:



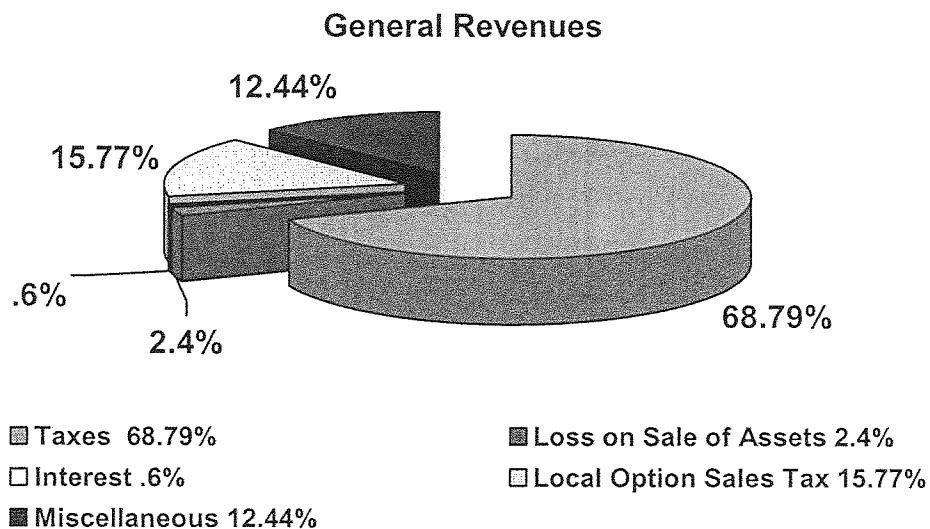
| Revenue Source   | General Governmental<br>Activities |                     | Business-Type Activities |                      |
|--|------------------------------------|---------------------|--------------------------|----------------------|
|  | 2011                               | 2010                | 2011                     | 2010                 |
| <b>Program Revenues:</b>                                 |                                    |                     |                          |                      |
| Charges for Services                                     | \$ 536,672                         | \$ 518,173          | \$ 11,853,347            | \$ 11,696,027        |
| Operating Grants and Contributions                       | 748,271                            | 711,108             | -                        | -                    |
| Capital Grants and Contributions                         | -                                  | 115,830             | -                        | -                    |
| <b>Total Program Revenues</b>                            | <b>1,284,943</b>                   | <b>1,345,111</b>    | <b>11,853,347</b>        | <b>11,696,027</b>    |
| <b>General Revenues &amp; Interfund Transfers:</b>       |                                    |                     |                          |                      |
| Property Taxes   | 2,819,037                          | 2,715,434           | -                        | -                    |
| Local Option Sales Tax                                   | 646,042                            | 596,463             | -                        | -                    |
| Interest   | 3,963                              | 7,586               | 18,935                   | 15,464               |
| Gain (Loss) on Sales of Assets                           | 100,120                            | 189,700             | -                        | -                    |
| Miscellaneous  | 196,505                            | 149,288             | 313,364                  | 105,173              |
| <b>Total General Revenues</b>                            | <b>3,765,667</b>                   | <b>3,658,471</b>    | <b>332,299</b>           | <b>120,637</b>       |
| Interfund Transfers                                      | 569,088                            | 281,967             | (569,088)                | (281,967)            |
| <b>Total General Revenues &amp; Interfund Transfers:</b> | <b>\$ 4,334,755</b>                | <b>\$ 3,940,438</b> | <b>(236,789)</b>         | <b>(161,330)</b>     |
| <b>Total Revenues &amp; Interfund Transfers:</b>         | <b>\$ 5,619,698</b>                | <b>\$ 5,285,549</b> | <b>\$ 11,616,558</b>     | <b>\$ 11,534,697</b> |

| Revenue Source   | Totals               |                      |
|--|----------------------|----------------------|
|  | 2011                 | 2010                 |
| <b>Program Revenues:</b>                                 |                      |                      |
| Charges for Services                                     | 12,390,019           | 12,214,200           |
| Operating Grants and Contributions                       | 748,271              | 711,108              |
| Capital Grants and Contributions                         | -                    | 115,830              |
| <b>Total Program Revenues</b>                            | <b>13,138,290</b>    | <b>13,041,138</b>    |
| <b>General Revenues &amp; Interfund Transfers:</b>       |                      |                      |
| Property Taxes   | 2,819,037            | 2,715,434            |
| Local Option Sales Tax                                   | 646,042              | 596,463              |
| Interest   | 22,898               | 23,050               |
| Gain on Sales of Assets                                  | 100,120              | 189,700              |
| Miscellaneous  | 509,869              | 254,461              |
| <b>Total General Revenues</b>                            | <b>4,097,966</b>     | <b>3,779,108</b>     |
| Interfund Transfers                                      | -                    | -                    |
| <b>Total General Revenues &amp; Interfund Transfers:</b> | <b>\$ 4,097,966</b>  | <b>\$ 3,779,108</b>  |
| <b>Total Revenues &amp; Interfund Transfers:</b>         | <b>\$ 17,236,256</b> | <b>\$ 16,820,246</b> |

Program revenues totaled \$13,138,290 for fiscal year 2011. Governmental Activities provided \$1,284,943 and Business-Type Activities provided \$11,853,347. Revenue collected for Charges for Services during fiscal year 2011 was \$12,390,019, accounting for 94.3% of the total program revenues. The following chart breaks down program revenues by source:



General Revenues for fiscal year 2011 totaled \$ 4,097,966. Governmental Activities provided \$4,334,755 and Business-Type Activities used \$236,789. Property Tax Revenues for fiscal year 2011 totaled \$2,819,037, accounting for 68.8% of General Revenues. The following chart breaks down General Revenues by source:



Expenses for Fiscal 2011 totaled \$ 17,976,841. Expenses for General Governmental Activities totaled \$ 6,750,659, accounting for 38% of total expenditures. Business-Type Activity expenditures totaled \$ 11,226,182, for 62% of the total.

The following table shows total expenditures by Function/Program for FY 2011 and FY 2010:

|                                  | General Governmental<br>Activities |                  | Business-Type Activities |                   |
|----------------------------------|------------------------------------|------------------|--------------------------|-------------------|
|                                  | 2011                               | 2010             | 2011                     | 2010              |
| Public Safety                    | \$ 830,457                         | \$ 795,713       | -                        | -                 |
| Public Works                     | 1,975,401                          | 1,121,275        | -                        | -                 |
| Culture and Recreation           | 1,311,021                          | 2,149,142        | -                        | -                 |
| Community & Economic Development | 1,572,043                          | 475,593          | -                        | -                 |
| General Government               | 714,572                            | 543,010          | -                        | -                 |
| Debt Service                     | 347,165                            | 338,853          | -                        | -                 |
| Sewer System                     | -                                  | -                | \$ 601,445               | \$ 533,308        |
| Water System                     | -                                  | -                | 873,848                  | 845,775           |
| Electric System                  | -                                  | -                | 6,891,993                | 6,582,661         |
| Natural Gas System               | -                                  | -                | 2,858,896                | 2,995,251         |
| Total Expenditures               | <u>6,750,659</u>                   | <u>5,423,586</u> | <u>11,226,182</u>        | <u>10,956,995</u> |

|                                  | Totals               |                     |
|----------------------------------|----------------------|---------------------|
|                                  | 2011                 | 2010                |
| Public Safety                    | \$ 830,457           | \$ 795,713          |
| Public Works                     | 1,975,401            | 1,121,275           |
| Culture and Recreation           | 1,311,021            | 2,149,142           |
| Community & Economic Development | 1,572,043            | 475,593             |
| General Government               | 714,572              | 543,010             |
| Debt Service                     | 347,165              | 338,853             |
| Sewer System                     | 601,445              | 533,308             |
| Water System                     | 873,848              | 845,775             |
| Electric System                  | 6,891,993            | 6,582,661           |
| Natural Gas System               | 2,858,896            | 2,995,251           |
| Total Expenditures               | <u>\$ 17,976,841</u> | <u>\$16,380,581</u> |

The following table shows the activities included within each program level:

| <u>Program Level</u>               | <u>Activity</u>  |
|------------------------------------|--|
| Public Safety                      | Individual & Community Protection, Physical Health                                 |
| Public Works                       | Roadway Construction, Airport Operations, Street Lighting, Transportation Services |
| Culture and Recreation             | Education & Culture, Leisure Time Opportunities                                    |
| Community and Economic Development | Economic Development, Community Beautification, Planning and Zoning                |
| General Government                 | Administration, Support Services   |
| Debt Service                       | Payment of Interest  |
| Capital Projects                   | Construction of Capital Facilities   |
| Sewer System                       | Operation of the Waste Water Treatment Plant/Supply Distribution System            |
| Water System                       | Operation of Water Treatment Plant/Supply Distribution System                      |
| Electric System                    | Operation of Electric Plant/Supply Distribution System                             |
| Natural Gas System                 | Operation of Natural Gas Plant/Supply Distribution System                          |

### **Governmental of Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$ 830,457 and received \$ 142,747 in revenue, thus leaving a cost to the taxpayer of \$ 687,710 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

|                        |   |
|------------------------|---|
| Public Safety          | Fines, Fees                             |
| Public Works           | Road Use Tax, Rent, Special Assessments |
| Culture and Recreation | Fees, State Aid                         |
| General Government     | Licenses, Permits                       |
| Capital Projects       | Donations, State Grants, Federal Grants |

The total cost of governmental activities this year was \$6,750,659. Of these costs, \$536,672 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions was \$748,271, leaving a Net Expense of \$5,465,716 for Governmental Activities. These expenses of were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

| Functions/Programs                                  | Net (Expense)<br>Revenue |                     |
|---|--------------------------|---------------------|
|   | 2011                     | 2010                |
| <b>Governmental Activities:</b>                     |                          |                     |
| Public Safety                                       | \$ (687,710)             | \$ (614,607)        |
| Public Works  | (1,144,844)              | (266,781)           |
| Culture and Recreation                              | (1,034,070)              | (1,910,476)         |
| Community and Economic Development                  | (1,549,160)              | (417,557)           |
| General Government                                  | (702,767)                | (530,501)           |
| Debt Service  | (347,165)                | (338,853)           |
| Total Net (Expense) Revenue Governmental Activities | (5,465,716)              | (4,078,475)         |
| General Revenues & Interfund Transfers              | 4,334,755                | 3,940,438           |
| <b>Change in Net Assets</b>                         | <b>\$ (1,130,961)</b>    | <b>\$ (138,037)</b> |

Total resources available during the year to finance governmental operations were \$15,298,901 consisting of Net Assets at July 1, 2010 of \$9,679,203, Program Revenues of \$1,284,943 and General Revenues and Transfers of \$4,334,755. Total Governmental Activities during the year expended \$ 6,750,659; thus, Net Assets were decreased by \$1,130,961 to \$8,548,242.

### Business Type Activities

Business Type Activities increased the City's net assets by \$1,273,172.

The cost of all Proprietary Activities this year was \$11,226,182. As shown in the Statement of Activities, the amounts paid by users of the systems was \$11,853,347, resulting in total Net Revenue for Business Type Activities of \$627,165. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

| Business-Type Activities                             | Net (Expense)<br>Revenue |                   |
|--|--------------------------|-------------------|
|  | 2011                     | 2010              |
| Electric System                                      | \$ 535,483               | \$ 493,676        |
| Water System   | (42,118)                 | (59,979)          |
| Sewer System   | (35,004)                 | 13,621            |
| Natural Gas System                                   | 168,804                  | 291,714           |
| Total Net (Expense) Revenue Business-Type Activities | 627,165                  | 739,032           |
| General Revenues & Interfund Transfers               | (236,789)                | (161,330)         |
| <b>Change in Net Assets</b>                          | <b>\$ 390,376</b>        | <b>\$ 577,702</b> |

Total resources available during the year to finance Proprietary Fund activities were \$32,635,915 consisting of Net Assets at July 1, 2010 of \$21,019,357, Program Revenues of \$11,853,347 and General Revenues of \$(236,789). Total Proprietary Fund Activities during the year expended \$11,226,182; thus Net Assets were increased by \$390,376 to \$21,409,733.

### **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$1,995,062. The combined Governmental Funds balance increased \$6,080 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General fund by \$268,408.

The Road Use Tax Fund is used to account for the collection and disbursement of state fuel tax dollars. During the year, expenditures exceeded revenues by \$ 1,145.

The Hawkeye Project and Events Center are Capital Projects funds used to construct a new events center and downtown building project. At June 30, 2011 the events center had a \$683,799 deficit fund balance.

The Debt Service Fund is used to account for collection of general property taxes for the repayment of general obligation debt.

### **General Fund Budgetary Highlights**

Comparing the fiscal year 2011 original (adopted) city wide amount of \$58,490,116 to the final budget amount of \$ 59,778,406 shows a net increase of \$ 1,288,290.

The following table shows the government wide budget variances by program structure:

| Expenditures                          | Amended<br>Budget    | Actual               | Variance            |
|---------------------------------------|----------------------|----------------------|---------------------|
| Public Safety                         | \$ 841,122           | \$ 757,212           | \$ 83,910           |
| Public Works                          | 876,743              | 810,124              | 66,619              |
| Culture and Recreation                | 1,181,230            | 1,102,791            | 78,439              |
| Community and<br>Economic Development | 300,780              | 221,428              | 79,352              |
| General Government                    | 731,754              | 695,362              | 36,392              |
| Capital Projects                      | 4,625,000            | 2,336,490            | 2,288,510           |
| Debt Service                          | 1,107,459            | 1,175,766            | (68,307)            |
| Business-Type Activities              | 50,114,318           | 46,650,298           | 3,464,020           |
| <b>Total Expenditures</b>             | <b>\$ 59,778,406</b> | <b>\$ 53,749,471</b> | <b>\$ 6,028,935</b> |

During the year there was a \$ 1,288,290 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$ 6,000 supplemental appropriation to the police department for such costs as for fuel.
- \$ 47,640 supplemental appropriation to the street department for excessive snow fall during the winter season, such as costs for labor, repairs and fuel.
- \$ 14,650 supplemental appropriation to the parks department for repair of vehicles and the swimming pool for a new shade structure.
- \$ 220,000 supplemental appropriation to our City Hall department for legal services and modifications to our stage. We also have a new department called Event Center which has a new employee. We also did some repairs to our daycare building.
- \$ 1,000,000 supplemental appropriation to our municipal hospital for under budgeting their operations for the year.

A part of the increase was possible because of additional revenues. Those revenues included a distribution payment from Orange City Communications for \$ 125,000 as well as additional patient revenue from the hospital. The rest of the appropriations were paid with the fund balance from the general fund.

## Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2011, was \$ 21,247,398 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for fiscal 2011 are as follows:

|                                   | General Governmental<br>Activities |                     | Business-Type Activities |                   |
|-----------------------------------|------------------------------------|---------------------|--------------------------|-------------------|
|                                   | 2011                               | 2010                | 2011                     | 2010              |
| Land                              | -                                  | -                   | -                        | \$ 40,562         |
| Infrastructure                    | \$ 6,000                           | \$ 3,433,196        | -                        | -                 |
| Buildings                         | -                                  | -                   | -                        | 3,800             |
| Improvements-Other than Buildings | -                                  | 190,616             | -                        | 12,813            |
| Equipment                         | 49,854                             | 615,244             | \$ 37,831                | 368,411           |
| Utility Plant                     | -                                  | -                   | 355,063                  | 297,621           |
| Construction in Progress          | 971,688                            | 1,271,473           | 220,320                  | 1,307             |
| <b>Total Gross Additions</b>      | <b>\$ 1,027,542</b>                | <b>\$ 5,510,529</b> | <b>\$ 613,214</b>        | <b>\$ 724,514</b> |

|                              | Totals              |                     |
|------------------------------|---------------------|---------------------|
|                              | 2011                | 2010                |
| Land                         | -                   | \$ 40,562           |
| Infrastructure               | \$ 6,000            | 3,433,196           |
| Buildings                    | -                   | 3,800               |
| Improvements-Other Buildings | -                   | 203,429             |
| Equipment                    | 87,685              | 983,655             |
| Utility Plant                | 355,063             | 297,621             |
| Construction in Progress     | 1,192,008           | 1,272,780           |
| <b>Total Expenditures</b>    | <b>\$ 1,640,756</b> | <b>\$ 6,235,043</b> |

Construction In Progress at June 30, 2011 for governmental activities consisted of costs associated with the Industrial Park Improvements, the new event center, and the Hawkeye project.

For Business-Type Activities, the Construction in progress consisted of costs associated with the electric substation, and the water treatment plant improvements.

See Note 6 to the financial statements for more information on the City's capital assets.



## **DEBT ADMINISTRATION**

At year-end the City had \$14,980,000 of debt outstanding. Of this amount, \$ 9,410,000 comprises debt backed by the full faith and credit of the government. The remainder of \$ 5,570,000 is debt represented by bonds secured solely by the specified revenue sources (i.e., revenue bonds).

Debt administration is on track, with over 75% of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of TIF has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$ 15,017,737. With outstanding General Obligation Debt applicable to this limit of \$9,410,000, we are utilizing 62.7% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

## **ECONOMIC FACTORS**

The City of Orange City worked hard in FY 2011 to maintain a positive approach to growth and development. Continued progressive growth in the Orange City community had a positive effect on the City's unemployment and tax base. The growth in Local Option Sales Tax demonstrates that the Orange City's economy continues to grow.

New housing developments in the city include private development, including water, sewer and paving improvements. The City has worked to market the new industrial park located in the south end of town. The City is looking forward to new industry coming to the community.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kent Anderson at 712-707-4885.

CITY OF ORANGE CITY, IOWA  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

|   | Primary Government      |                          |                      | Component Unit                 |                                    |
|---|-------------------------|--------------------------|----------------------|--------------------------------|------------------------------------|
|   | Governmental Activities | Business-Type Activities | Total                | Orange City Municipal Hospital | Orange City Muni. Golf Association |
| <b>ASSETS</b>   |                         |                          |                      |                                |                                    |
| Cash and Cash Equivalents   | \$ 2,940,884            | \$ 3,575,937             | \$ 6,516,821         | \$ 7,473,448                   | \$ 14,971                          |
| Investments   | 42,536                  | 61,206                   | 103,742              | 7,458,368                      | -                                  |
| Receivables (Net, where applicable, of allowance for uncollectibles)    |                         |                          |                      |                                |                                    |
| Accounts  | 27,543                  | 837,085                  | 864,628              | 4,219,388                      | -                                  |
| Taxes   | 5,789                   | -                        | 5,789                | -                              | -                                  |
| Subsequent Year Taxes   | 2,799,227               | -                        | 2,799,227            | -                              | -                                  |
| Accrued Interest  | -                       | 203                      | 203                  | 29,521                         | -                                  |
| Other   | -                       | 4,898                    | 4,898                | -                              | -                                  |
| Estimated Unbilled Usage  | -                       | 401,748                  | 401,748              | -                              | -                                  |
| Special Assessments   | 47,081                  | -                        | 47,081               | -                              | -                                  |
| TIF Receivable  | -                       | 54,200                   | 54,200               | -                              | -                                  |
| Interfund Balances  | (820,659)               | 820,659                  | -                    | -                              | -                                  |
| Due from Other Governmental Agencies                                    | 151,607                 | 341,357                  | 492,964              | -                              | -                                  |
| Inventories   | 23,799                  | 447,621                  | 471,420              | 510,443                        | 19,926                             |
| Prepaid Assets  | 72,361                  | 50,345                   | 122,706              | 86,965                         | -                                  |
| Investment in Joint Venture   | -                       | 2,678,715                | 2,678,715            | -                              | -                                  |
| Other   | -                       | -                        | -                    | 211,928                        | -                                  |
| Restricted Assets, Cash and Investments:                                |                         |                          |                      |                                |                                    |
| Cash and Cash Equivalents   | -                       | 417,389                  | 417,389              | 2,904,210                      | -                                  |
| Revenue Bond Current Debt Service Account - Investment                  | -                       | 205,000                  | 205,000              | -                              | -                                  |
| Revenue Bond Future Debt Service Account - Investment                   | -                       | 480,000                  | 480,000              | -                              | -                                  |
| Pledges Receivable  | -                       | -                        | -                    | 127,894                        | -                                  |
| Bond Issue Costs  | 145,490                 | 55,918                   | 201,408              | 66,300                         | -                                  |
| Land  | 759,438                 | 380,478                  | 1,139,916            | 1,174,427                      | -                                  |
| Construction in Progress  | 1,113,667               | 221,627                  | 1,335,294            | 346,307                        | -                                  |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | 13,962,409              | 17,094,779               | 31,057,188           | 28,969,492                     | 1,609,875                          |
| <b>Total Assets</b>   | <b>21,271,172</b>       | <b>28,129,165</b>        | <b>49,400,337</b>    | <b>53,578,691</b>              | <b>1,644,772</b>                   |
| <b>LIABILITIES</b>  |                         |                          |                      |                                |                                    |
| Accounts Payable  | 320,077                 | 933,776                  | 1,253,853            | 1,078,993                      | 4,726                              |
| Accrued Wages   | 25,511                  | 13,572                   | 39,083               | 2,172,685                      | -                                  |
| Accrued Expenses  | 2,000                   | 31,767                   | 33,767               | 81,380                         | 6,183                              |
| Customer Deposits   | -                       | 26,477                   | 26,477               | -                              | -                                  |
| Deposits on Future Debt Issuance  | 32,247                  | -                        | 32,247               | -                              | -                                  |
| Unearned Revenue  | -                       | -                        | -                    | -                              | 16,806                             |
| Deferred Revenue - Subsequent Year Taxes                                | 2,799,227               | -                        | 2,799,227            | -                              | -                                  |
| Accrued Interest  | 37,333                  | -                        | 37,333               | -                              | -                                  |
| Due to Other Governments  | -                       | -                        | -                    | -                              | 341,357                            |
| Payables from Restricted Assets:  |                         |                          |                      |                                |                                    |
| Accrued Interest  | -                       | 61,654                   | 61,654               | 431,293                        | -                                  |
| Revenue Bonds - Current   | -                       | 525,000                  | 525,000              | 722,000                        | -                                  |
| Noncurrent Liabilities:   |                         |                          |                      |                                |                                    |
| Due within one year:  |                         |                          |                      |                                |                                    |
| General Obligation Bonds  | 920,000                 | -                        | 920,000              | -                              | -                                  |
| Capital Lease   | -                       | -                        | -                    | -                              | 19,801                             |
| Compensated Absences and Benefits                                       | 73,795                  | 17,350                   | 91,145               | -                              | -                                  |
| Due in more than one year:  |                         |                          |                      |                                |                                    |
| Capital Lease   | -                       | -                        | -                    | -                              | 42,010                             |
| Revenue Bonds Payable   | -                       | 5,045,000                | 5,045,000            | 23,965,927                     | -                                  |
| General Obligation Bonds  | 8,490,000               | -                        | 8,490,000            | -                              | -                                  |
| Other Post Employment Benefits  | 22,740                  | 12,792                   | 35,532               | 40,000                         | -                                  |
| Compensated Absences and Benefits, Long-Term                            | -                       | 52,044                   | 52,044               | -                              | -                                  |
| <b>Total Liabilities</b>  | <b>12,722,930</b>       | <b>6,719,432</b>         | <b>19,442,362</b>    | <b>28,492,278</b>              | <b>430,883</b>                     |
| <b>NET ASSETS</b>   |                         |                          |                      |                                |                                    |
| Invested in Capital Assets,   |                         |                          |                      |                                |                                    |
| Net of Related Debt   | 9,120,514               | 12,126,884               | 21,247,398           | 5,802,299                      | 1,548,064                          |
| Restricted for:   |                         |                          |                      |                                |                                    |
| Debt Service  | 64,480                  | 1,010,235                | 1,074,715            | 1,745,166                      | -                                  |
| Permanent Funds - nonexpendable   | 84,525                  | -                        | 84,525               | -                              | -                                  |
| Specific Revenues   | 1,034,611               | -                        | 1,034,611            | -                              | -                                  |
| Donor Restrictions  | -                       | -                        | -                    | 229,185                        | -                                  |
| Unrestricted  | (1,755,888)             | 8,272,614                | 6,516,726            | 17,309,763                     | (334,175)                          |
| <b>Total Net Assets</b>   | <b>\$ 8,548,242</b>     | <b>\$ 21,409,733</b>     | <b>\$ 29,957,975</b> | <b>\$ 25,086,413</b>           | <b>\$ 1,213,889</b>                |

See Accompanying Notes to Financial Statements

**CITY OF ORANGE CITY, IOWA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2011

| Functions/Programs                     | Expenses             | Program Revenues     |                                    |                                  |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government:                    |                      |                      |                                    |                                  |
| Governmental Activities:               |                      |                      |                                    |                                  |
| Public Safety                          | \$ 830,457           | \$ 18,328            | \$ 124,419                         | \$ -                             |
| Public Works                           | 1,975,401            | 246,619              | 583,938                            | -                                |
| Culture and Recreation                 | 1,311,021            | 237,037              | 39,914                             | -                                |
| Community and Economic Development     | 1,572,043            | 22,883               | -                                  | -                                |
| General Government                     | 714,572              | 11,805               | -                                  | -                                |
| Debt Service                           | 347,165              | -                    | -                                  | -                                |
| Total governmental activities          | <u>6,750,659</u>     | <u>536,672</u>       | <u>748,271</u>                     | <u>-</u>                         |
| Business-Type Activities:              |                      |                      |                                    |                                  |
| Electric Utility                       | 6,891,993            | 7,427,476            | -                                  | -                                |
| Water Utility                          | 873,848              | 831,730              | -                                  | -                                |
| Sewer Utility                          | 601,445              | 566,441              | -                                  | -                                |
| Gas Utility                            | 2,858,896            | 3,027,700            | -                                  | -                                |
| Total Business-Type Activities:        | <u>11,226,182</u>    | <u>11,853,347</u>    | <u>-</u>                           | <u>-</u>                         |
| Total Primary Government               | <u>\$ 17,976,841</u> | <u>\$ 12,390,019</u> | <u>\$ 748,271</u>                  | <u>\$ -</u>                      |
| Component Unit:                        |                      |                      |                                    |                                  |
| Orange City Municipal Hospital         | <u>\$ 35,424,116</u> | <u>\$ 35,933,300</u> | <u>\$ 357,790</u>                  | <u>\$ -</u>                      |
| Orange City Municipal Golf Association | <u>\$ 532,422</u>    | <u>\$ 384,209</u>    | <u>\$ 150,938</u>                  | <u>\$ -</u>                      |

General Revenues:  
Property taxes  
Local Option Sales Tax  
Interest  
Gain on Sale of Assets  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Prior Period Adjustment  
Net Assets - beginning as restated  
Net assets - ending

See Accompanying Notes to Financial Statements

| Net (Expense) Revenue<br>and Changes in Net Assets |                             |                      |                                   |                                      |
|--|-----------------------------|----------------------|-----------------------------------|--------------------------------------|
| Governmental<br>Activities                         | Business-Type<br>Activities | Total                | Component Unit                    |                                      |
|  |                             |                      | Orange City<br>Municipal Hospital | Orange City<br>Municipal Golf Ass'n. |
| \$ (687,710)                                       |                             | \$ (687,710)         |                                   |                                      |
| (1,144,844)  |                             | (1,144,844)          |                                   |                                      |
| (1,034,070)  |                             | (1,034,070)          |                                   |                                      |
| (1,549,160)  |                             | (1,549,160)          |                                   |                                      |
| (702,767)  |                             | (702,767)            |                                   |                                      |
| (347,165)  |                             | (347,165)            |                                   |                                      |
| <u>(5,465,716)</u>                                 |                             | <u>(5,465,716)</u>   |                                   |                                      |
|  | \$ 535,483                  | 535,483              |                                   |                                      |
|  | (42,118)                    | (42,118)             |                                   |                                      |
|  | (35,004)                    | (35,004)             |                                   |                                      |
|  | 168,804                     | 168,804              |                                   |                                      |
|  | <u>627,165</u>              | <u>627,165</u>       |                                   |                                      |
| <u>(5,465,716)</u>                                 | <u>627,165</u>              | <u>(4,838,551)</u>   |                                   |                                      |
|  |                             |                      | \$ 866,974                        | \$ 2,725                             |
| 2,819,037  | -                           | 2,819,037            | -                                 | -                                    |
| 646,042  | -                           | 646,042              | -                                 | -                                    |
| 3,963  | 18,935                      | 22,898               | 217,406                           | -                                    |
| 100,120  | -                           | 100,120              | -                                 | -                                    |
| 196,505  | 313,364                     | 509,869              | 8,256                             | -                                    |
| 569,088  | (569,088)                   | -                    | -                                 | -                                    |
| <u>4,334,755</u>                                   | <u>(236,789)</u>            | <u>4,097,966</u>     | <u>225,662</u>                    | <u>-</u>                             |
| <u>(1,130,961)</u>                                 | <u>390,376</u>              | <u>(740,585)</u>     | <u>1,092,636</u>                  | <u>2,725</u>                         |
| 9,679,203  | 20,136,561                  | 29,815,764           | 23,993,777                        | 1,211,164                            |
| -  | 882,796                     | 882,796              | -                                 | -                                    |
| <u>9,679,203</u>                                   | <u>21,019,357</u>           | <u>30,698,560</u>    | <u>23,993,777</u>                 | <u>1,211,164</u>                     |
| <u>\$ 8,548,242</u>                                | <u>\$ 21,409,733</u>        | <u>\$ 29,957,975</u> | <u>\$ 25,086,413</u>              | <u>\$ 1,213,889</u>                  |

| Events<br>Center | Hawkeye<br>Project | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------|--------------------|--------------------------------|--------------------------------|
| \$               | -                  | \$ 773,765                     | \$ 2,940,884                   |
|                  | -                  | -                              | 42,536                         |
|                  | -                  | -                              | 27,543                         |
|                  | -                  | -                              | 5,789                          |
|                  | -                  | 250,000                        | 2,799,227                      |
|                  | -                  | -                              | 47,081                         |
|                  | -                  | -                              | 151,607                        |
|                  | -                  | -                              | 23,799                         |
|                  | -                  | 1,023,765                      | 6,038,466                      |
| 128,555          | -                  | 20,172                         | 320,077                        |
| -                | -                  | -                              | 25,511                         |
| -                | -                  | -                              | 2,000                          |
| 22,534           | -                  | 9,713                          | 32,247                         |
| 532,710          | -                  | 147,949                        | 820,659                        |
| -                | -                  | -                              | 43,683                         |
| -                | -                  | 250,000                        | 2,799,227                      |
| 683,799          | -                  | 427,834                        | 4,043,404                      |
| -                | -                  | -                              | 23,799                         |
| -                | -                  | 84,525                         | 84,525                         |
| -                | -                  | -                              | 64,480                         |
| -                | -                  | 627,892                        | 627,892                        |
| -                | -                  | -                              | 382,920                        |
| -                | -                  | 52,504                         | 52,504                         |
| (683,799)        | -                  | (168,990)                      | 758,942                        |
| (683,799)        | -                  | 595,931                        | 1,995,062                      |
| \$               | \$                 | \$ 1,023,765                   | \$ 6,038,466                   |

**CITY OF ORANGE CITY, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2011**

|   | General             | Road<br>Use Tax   | Debt<br>Service     |
|---|---------------------|-------------------|---------------------|
| <b>Assets</b>   |                     |                   |                     |
| Cash and Pooled Investments   | \$ 1,768,902        | \$ 336,263        | \$ 61,954           |
| Investments   | 42,536              | -                 | -                   |
| Receivables (Net, where applicable, of allowance<br>for uncollectibles) |                     |                   |                     |
| Accounts  | 27,543              | -                 | -                   |
| Taxes   | 3,263               | -                 | 2,526               |
| Subsequent Year Taxes   | 1,200,700           | -                 | 1,348,527           |
| Special Assessments   | 47,081              | -                 | -                   |
| Due from Other Governmental Agencies                                    | 104,950             | 46,657            | -                   |
| Inventories   | -                   | 23,799            | -                   |
| Total Assets  | <u>3,194,975</u>    | <u>406,719</u>    | <u>1,413,007</u>    |
| <b>Liabilities and Fund Balances</b>                                    |                     |                   |                     |
| Liabilities:  |                     |                   |                     |
| Accounts Payable  | 171,350             | -                 | -                   |
| Accrued Wages   | 25,511              | -                 | -                   |
| Accrued Expenses  | 2,000               | -                 | -                   |
| Deposits on Future Debt Issuance  | -                   | -                 | -                   |
| Due to Other Funds  | 140,000             | -                 | -                   |
| Deferred Revenue  | 43,683              | -                 | -                   |
| Deferred Revenue - Subsequent Year Taxes                                | 1,200,700           | -                 | 1,348,527           |
| Total Liabilities   | <u>1,583,244</u>    | <u>-</u>          | <u>1,348,527</u>    |
| Fund Balances:  |                     |                   |                     |
| Nonspendable  |                     |                   |                     |
| Inventories   | -                   | 23,799            | -                   |
| Permanent Fund Principal  | -                   | -                 | -                   |
| Restricted for  |                     |                   |                     |
| Debt Service  | -                   | -                 | 64,480              |
| TIF   | -                   | -                 | -                   |
| Road Use Tax  | -                   | 382,920           | -                   |
| Assigned for  |                     |                   |                     |
| Capital Project   | -                   | -                 | -                   |
| Unassigned  | 1,611,731           | -                 | -                   |
| Total Fund Balances (Deficits)  | <u>1,611,731</u>    | <u>406,719</u>    | <u>64,480</u>       |
| Total Liabilities and Equity  | <u>\$ 3,194,975</u> | <u>\$ 406,719</u> | <u>\$ 1,413,007</u> |

See Accompanying Notes to Financial Statements

CITY OF ORANGE CITY, IOWA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011

---

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

|   |                     |
|---|---------------------|
| Total Fund Balance - Governmental Funds (page 27)   | \$ 1,995,062        |
| Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds | 15,835,514          |
| Deferred revenues that provide current financial resources for governmental activities  | 43,683              |
| Accrued expenses from the balance sheet that require current financial resources for governmental activities                                      | (37,333)            |
| Accrued compensated absences and other post employment benefits not reported on the modified accrual basis  | (96,535)            |
| Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources  | 145,490             |
| Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources  | 72,361              |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds                                   | <u>(9,410,000)</u>  |
| Total Net Assets - Governmental Activities (page 23)  | <u>\$ 8,548,242</u> |

See Accompanying Notes to Financial Statements

**CITY OF ORANGE CITY, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

|   | General      | Road<br>Use Tax | Debt<br>Service |
|---|--------------|-----------------|-----------------|
| Revenue:  |              |                 |                 |
| Taxes   | \$ 1,248,376 | \$ -            | \$ 1,108,894    |
| Licenses and Permits                              | 4,541        | -               | -               |
| Intergovernmental                                 | 183,178      | 565,093         | -               |
| Charges for Services                              | 440,500      | -               | -               |
| Fines and Forfeits                                | 28,640       | -               | -               |
| Contributions from Property Owners                | 8,109        | -               | -               |
| TIF Revenue                                       | 213,786      | -               | -               |
| Local Option Sales Tax                            | 646,042      | -               | -               |
| Proceeds from Sale of Real Estate                 | -            | -               | -               |
| Interest on Investments                           | 3,957        | -               | 6               |
| Miscellaneous                                     | 109,108      | -               | 6,604           |
| Total Revenue                                     | 2,886,237    | 565,093         | 1,115,504       |
| Expenditures:                                     |              |                 |                 |
| Public Safety                                     | 757,212      | -               | -               |
| Public Works                                      | 810,124      | -               | -               |
| Culture and Recreation                            | 1,102,791    | -               | -               |
| Community and Economic Development                | 221,428      | -               | -               |
| General Government                                | 695,362      | -               | -               |
| Capital Projects                                  | -            | -               | -               |
| Debt Service:                                     |              |                 |                 |
| Principal Retirement                              | -            | -               | 785,000         |
| Interest  | -            | -               | 308,226         |
| Total Expenditures                                | 3,586,917    | -               | 1,093,226       |
| Excess (deficiency) of revenues over expenditures | (700,680)    | 565,093         | 22,278          |
| Other financing sources (uses):                   |              |                 |                 |
| Issuance of Debt                                  | -            | -               | -               |
| Transfers In                                      | 969,088      | -               | -               |
| Transfers Out                                     | -            | (566,238)       | -               |
| Total other financing sources (uses)              | 969,088      | (566,238)       | -               |
| Net Change in Fund Balance                        | 268,408      | (1,145)         | 22,278          |
| Fund balances (Deficits)-beginning of year        | 1,343,323    | 398,704         | 42,202          |
| Increase in Reserve for Inventory                 | -            | 9,160           | -               |
| Fund balances (Deficits)- end of year             | \$ 1,611,731 | \$ 406,719      | \$ 64,480       |

See Accompanying Notes to Financial Statements



| Events<br>Center | Hawkeye<br>Project | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------|--------------------|--------------------------------|--------------------------------|
| \$ -             | \$ -               | \$ -                           | \$ 2,357,270                   |
| -                | -                  | -                              | 4,541                          |
| -                | -                  | -                              | 748,271                        |
| -                | -                  | -                              | 440,500                        |
| -                | -                  | -                              | 28,640                         |
| -                | -                  | -                              | 8,109                          |
| -                | -                  | 255,136                        | 468,922                        |
| -                | -                  | -                              | 646,042                        |
| -                | -                  | 100,120                        | 100,120                        |
| -                | -                  | -                              | 3,963                          |
| 124,815          | -                  | 1,700                          | 242,227                        |
| 124,815          | -                  | 356,956                        | 5,048,605                      |
| -                | -                  | -                              | 757,212                        |
| -                | -                  | -                              | 810,124                        |
| -                | -                  | -                              | 1,102,791                      |
| -                | -                  | -                              | 221,428                        |
| -                | -                  | -                              | 695,362                        |
| 808,614          | 1,349,920          | 177,956                        | 2,336,490                      |
| -                | -                  | -                              | -                              |
| -                | -                  | 65,000                         | 850,000                        |
| -                | 21,600             | 17,540                         | 347,366                        |
| 808,614          | 1,371,520          | 260,496                        | 7,120,773                      |
| (683,799)        | (1,371,520)        | 96,460                         | (2,072,168)                    |
| -                | 1,500,000          | -                              | 1,500,000                      |
| -                | -                  | 166,238                        | 1,135,326                      |
| -                | -                  | -                              | (566,238)                      |
| -                | 1,500,000          | 166,238                        | 2,069,088                      |
| (683,799)        | 128,480            | 262,698                        | (3,080)                        |
| -                | (128,480)          | 333,233                        | 1,988,982                      |
| -                | -                  | -                              | 9,160                          |
| \$ (683,799)     | \$ -               | \$ 595,931                     | \$ 1,995,062                   |

CITY OF ORANGE CITY, IOWA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011

---

Amounts reported for governmental activities in the statement of activities are different because:

|  |          |
|--|----------|
| Net change in fund balances - total governmental funds (page 30) | \$ 6,080 |
|--|----------|

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlay in the current year as follows:

|                                 |                    |           |
|---------------------------------|--------------------|-----------|
| Expenditures for capital assets | \$ 1,022,802       |           |
| Depreciation expense            | <u>(1,490,769)</u> | (467,967) |

|  |         |
|--|---------|
| Revenues reported in the funds that are not available to provide current financial resources | (7,155) |
|--|---------|

|   |         |
|---|---------|
| Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources | (1,344) |
|---|---------|

|  |          |
|--|----------|
| Accrued interest expense that does not require current financial resources | (11,642) |
|--|----------|

|   |          |
|---|----------|
| Long-term accrual of compensated absences and post employment benefits are not reported in the governmental funds as it does not consume current financial resources. The net change is in the long-term compensated absences for the year was: | (10,776) |
|---|----------|

|   |             |
|---|-------------|
| The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was: | (1,500,000) |
|---|-------------|

|   |        |
|---|--------|
| The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities | 11,843 |
|---|--------|

|   |                |
|---|----------------|
| The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was: | <u>850,000</u> |
|---|----------------|

|   |                              |
|---|------------------------------|
| Change in net assets of governmental activities (page 25) | <u><u>\$ (1,130,961)</u></u> |
|---|------------------------------|

CITY OF ORANGE CITY, IOWA  
COMBINING STATEMENT OF NET ASSETS  
Proprietary Funds  
JUNE 30, 2011

|   | Business Type Activities |                  |                  |
|---|--------------------------|------------------|------------------|
|   | Electric<br>Utility      | Water<br>Utility | Sewer<br>Utility |
| <b>ASSETS</b>   |                          |                  |                  |
| <b>Current Assets</b>   |                          |                  |                  |
| Cash and Cash Equivalents   | \$ 1,295,334             | \$ 747,117       | 557,598          |
| Investments   | -                        | -                | 61,206           |
| Receivables (Net, where applicable, of allowance for uncollectibles)    |                          |                  |                  |
| Accounts  | 619,490                  | 74,431           | 45,967           |
| Accrued Interest  | -                        | 105              | 70               |
| Other   | 4,898                    | -                | -                |
| Estimated Unbilled Usage  | 308,299                  | 28,867           | 19,466           |
| Pledges Receivable  | -                        | -                | -                |
| TIF Receivable  | 15,536                   | -                | 38,664           |
| Due from Other Funds  | 817,409                  | 3,250            | -                |
| Due from Other Governmental Agencies                                    | 341,357                  | -                | -                |
| Inventories   | 398,684                  | 18,000           | -                |
| Prepaid Assets  | 22,152                   | 12,586           | 9,062            |
| Total Current Assets  | 3,823,159                | 884,356          | 732,033          |
| <b>Non Current Assets</b>   |                          |                  |                  |
| Investment in Joint Venture   | 1,597,847                | 1,080,868        | -                |
| Restricted Assets:  |                          |                  |                  |
| Revenue Bond Current Debt Service - Cash                                | 366,889                  | 20,000           | -                |
| Revenue Bond Current Debt Service Account - Investment                  | -                        | 120,000          | 60,000           |
| Revenue Bond Future Debt Service Account - Investment                   | -                        | 255,000          | 150,000          |
| Revenue Bond Contingency  |                          |                  |                  |
| Bond Issue Costs  | 21,329                   | 21,397           | 2,340            |
| Land  | 27,539                   | 103,786          | 249,153          |
| Construction in Progress  | 180,047                  | 41,580           | -                |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | 7,558,171                | 4,397,743        | 3,707,851        |
| Total Noncurrent Assets   | 9,751,822                | 6,040,374        | 4,169,344        |
| <b>Total Assets</b>   | <b>13,574,981</b>        | <b>6,924,730</b> | <b>4,901,377</b> |
| <b>LIABILITIES</b>  |                          |                  |                  |
| <b>Current Liabilities</b>  |                          |                  |                  |
| Accounts Payable  | 642,126                  | 65,477           | 85,320           |
| Accrued Wages   | 6,239                    | 3,157            | 2,071            |
| Accrued Expenses  | 22,853                   | 3,680            | 1,181            |
| Customer Deposits   | 15,767                   | -                | -                |
| Payables from Restricted Assets:  |                          |                  |                  |
| Accrued Revenue Bond Interest   | 14,915                   | 34,714           | 4,298            |
| Revenue Bonds - Current   | 200,000                  | 110,000          | 115,000          |
| Total Current Liabilities   | 901,900                  | 217,028          | 207,870          |
| Noncurrent Liabilities:   |                          |                  |                  |
| Due within one year:  |                          |                  |                  |
| Compensated Absences  | 9,009                    | 3,328            | 2,266            |
| Due in more than one year:  |                          |                  |                  |
| Revenue Bonds Payable   | 1,965,000                | 1,740,000        | 385,000          |
| Other Post Employment Benefits  | 7,461                    | 3,198            | -                |
| Compensated Absences and Benefits, Long-Term                            | 27,021                   | 9,986            | 6,797            |
| Total Liabilities   | 2,910,391                | 1,973,540        | 601,933          |
| <b>NET ASSETS</b>   |                          |                  |                  |
| Invested in Capital Assets, Net of Related Debt                         | 5,600,757                | 2,693,109        | 3,457,004        |
| Restricted for:   |                          |                  |                  |
| Debt Service  | 351,974                  | 360,286          | 205,702          |
| Unrestricted  | 4,711,859                | 1,897,795        | 636,738          |
| Total Net Assets  | \$ 10,664,590            | \$ 4,951,190     | \$ 4,299,444     |

See Accompanying Notes to Financial Statements

| Business Type Activities |               |
|--------------------------|---------------|
| Gas<br>Utility           | Total         |
| \$ 975,888               | \$ 3,575,937  |
| -                        | 61,206        |
| 97,197                   | 837,085       |
| 28                       | 203           |
| -                        | 4,898         |
| 45,116                   | 401,748       |
| -                        | -             |
| -                        | 54,200        |
| -                        | 820,659       |
| -                        | 341,357       |
| 30,937                   | 447,621       |
| 6,545                    | 50,345        |
| 1,155,711                | 6,595,259     |
| -                        | 2,678,715     |
| 30,500                   | 417,389       |
| 25,000                   | 205,000       |
| 75,000                   | 480,000       |
| 75,000                   |               |
| 10,852                   | 55,918        |
| -                        | 380,478       |
| -                        | 221,627       |
| 1,431,014                | 17,094,779    |
| 1,647,366                | 21,533,906    |
| 2,803,077                | 28,129,165    |
| 140,853                  | 933,776       |
| 2,105                    | 13,572        |
| 4,053                    | 31,767        |
| 10,710                   | 26,477        |
| 7,727                    | 61,654        |
| 100,000                  | 525,000       |
| 265,448                  | 1,592,246     |
| 2,747                    | 17,350        |
| 955,000                  | 5,045,000     |
| 2,133                    | 12,792        |
| 8,240                    | 52,044        |
| 1,233,568                | 6,719,432     |
| 376,014                  | 12,126,884    |
| 92,273                   | 1,010,235     |
| 1,026,222                | 8,272,614     |
| \$ 1,494,509             | \$ 21,409,733 |

**CITY OF ORANGE CITY, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
Proprietary Funds  
For the Year Ended June 30, 2011

|  | Business Type Activities |                     |                     |
|--|--------------------------|---------------------|---------------------|
|  | Electric<br>Utility      | Water<br>Utility    | Sewer<br>Utility    |
| <b>Operating Revenues:</b>                   |                          |                     |                     |
| Charges for Services                         | \$ 7,427,476             | \$ 831,730          | \$ 566,441          |
| <b>Total Operating Revenue</b>               | <u>7,427,476</u>         | <u>831,730</u>      | <u>566,441</u>      |
| <b>Operating Expenses:</b>                   |                          |                     |                     |
| Production                                   | 5,120,038                | 169,208             | 136,226             |
| Transmission                                 | 250,045                  | 9,193               | -                   |
| Distribution / Collection                    | 473,578                  | 170,461             | 103,960             |
| Administrative and General                   | 279,550                  | 192,413             | 144,846             |
| Depreciation                                 | 390,323                  | 235,236             | 178,238             |
| <b>Total Operating Expenses</b>              | <u>6,513,534</u>         | <u>776,511</u>      | <u>563,270</u>      |
| <b>Operating Income</b>                      | 913,942                  | 55,219              | 3,171               |
| <b>Non-Operating Income (Expense):</b>       |                          |                     |                     |
| Interest Income                              | 15,695                   | 1,141               | 436                 |
| Other Non-operating Revenues                 | 34,993                   | 270,311             | 8,010               |
| Interest Expense                             | (96,163)                 | (86,531)            | (31,369)            |
| Other Non-operating Expenses                 | (282,296)                | (10,806)            | (6,806)             |
| <b>Total Non-Operating Income (Expenses)</b> | <u>(327,771)</u>         | <u>174,115</u>      | <u>(29,729)</u>     |
| <b>Income (Loss) before Transfers</b>        | 586,171                  | 229,334             | (26,558)            |
| <b>Transfers Out</b>                         | <u>(248,088)</u>         | <u>(248,000)</u>    | <u>(23,000)</u>     |
| <b>Change in Net Assets</b>                  | 338,083                  | (18,666)            | (49,558)            |
| <b>Net Assets - Beginning</b>                | 9,643,711                | 4,769,856           | 4,349,002           |
| Prior Period Adjustment                      | 682,796                  | 200,000             | -                   |
| <b>Net Assets - Beginning (Restated)</b>     | <u>10,326,507</u>        | <u>4,969,856</u>    | <u>4,349,002</u>    |
| <b>Net Assets - Ending</b>                   | <u>\$ 10,664,590</u>     | <u>\$ 4,951,190</u> | <u>\$ 4,299,444</u> |

See Accompanying Notes to Financial Statements

| Business Type Activities |               |
|--------------------------|---------------|
| Gas<br>Utility           | Total         |
| \$ 3,027,700             | \$ 11,853,347 |
| 3,027,700                | 11,853,347    |
| -                        | 5,425,472     |
| 2,432,613                | 2,691,851     |
| 143,438                  | 891,437       |
| 138,888                  | 755,697       |
| 71,980                   | 875,777       |
| 2,786,919                | 10,640,234    |
| 240,781                  | 1,213,113     |
| 1,663                    | 18,935        |
| 50                       | 313,364       |
| (51,344)                 | (265,407)     |
| (20,633)                 | (320,541)     |
| (70,264)                 | (253,649)     |
| 170,517                  | 959,464       |
| (50,000)                 | (569,088)     |
| 120,517                  | 390,376       |
| 1,373,992                | 20,136,561    |
| -                        | 882,796       |
| 1,373,992                | 21,019,357    |
| \$ 1,494,509             | \$ 21,409,733 |

**CITY OF ORANGE CITY, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

|  | Business Type Activities |                   |                   |
|--|--------------------------|-------------------|-------------------|
|  | Electric<br>Utility      | Water<br>Utility  | Sewer<br>Utility  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                     |                          |                   |                   |
| Cash Received from Customers                                     | \$ 7,504,864             | \$ 826,511        | \$ 583,156        |
| Cash Paid to Suppliers for Goods and Services                    | (5,528,625)              | (276,181)         | (192,783)         |
| Cash Paid to Employees for Services                              | (520,072)                | (262,732)         | (168,731)         |
| Other Nonoperating Income  | 34,993                   | 270,311           | 8,010             |
| Other Nonoperating Expenses                                      | (282,296)                | (10,806)          | (6,806)           |
| Net Cash Provided by Operating Activities                        | <u>1,208,864</u>         | <u>547,103</u>    | <u>222,846</u>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b> |                          |                   |                   |
| (Increase) Decrease in Investment in Joint Venture               | 64,956                   | (30,235)          | -                 |
| Acquisition and Construction of Capital Assets                   | (277,392)                | (106,051)         | (56,753)          |
| Principal Paid on Notes and Bonds                                | (200,000)                | (105,000)         | (110,000)         |
| Interest Paid on Notes and Bonds                                 | (92,951)                 | (85,070)          | (31,175)          |
| Net Cash (Used) for Capital and Related Financing Activities     | <u>(505,387)</u>         | <u>(326,356)</u>  | <u>(197,928)</u>  |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>         |                          |                   |                   |
| Transfers From (To) Other Funds                                  | (248,088)                | (248,000)         | (23,000)          |
| TIF Receivable   | 32,776                   | 17,167            | 6,236             |
| Due From (To) Other Funds  | (798,735)                | -                 | -                 |
| Net Cash Provided (Used) for Non-Capital Financing Activities    | <u>(1,014,047)</u>       | <u>(230,833)</u>  | <u>(16,764)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                     |                          |                   |                   |
| Purchase of Investment Securities                                | -                        | (5,000)           | -                 |
| Proceeds from Sale of Investment Securities                      | 1,952,257                | 635,000           | 524,985           |
| Interest and Dividends on Investments                            | 16,617                   | 1,465             | 788               |
| Net Cash Provided by Investing Activities                        | <u>1,968,874</u>         | <u>631,465</u>    | <u>525,773</u>    |
| Net Increase in Cash and Cash Equivalents                        | 1,658,304                | 621,379           | 533,927           |
| Cash and Cash Equivalents at Beginning of Year                   | <u>3,919</u>             | <u>125,738</u>    | <u>23,671</u>     |
| Cash and Cash Equivalents at End of Year                         | <u>\$ 1,662,223</u>      | <u>\$ 747,117</u> | <u>\$ 557,598</u> |

See Accompanying Notes to Financial Statements

| Business Type Activities |                     |
|--------------------------|---------------------|
| Gas<br>Utility           | Total               |
| \$ 3,039,780             | \$ 11,954,311       |
| (2,541,671)              | (8,539,260)         |
| (170,219)                | (1,121,754)         |
| 50                       | 313,364             |
| (20,633)                 | (320,541)           |
| <u>307,307</u>           | <u>2,286,120</u>    |
| -                        | 34,721              |
| (29,569)                 | (469,765)           |
| (95,000)                 | (510,000)           |
| (49,783)                 | (258,979)           |
| <u>(174,352)</u>         | <u>(1,204,023)</u>  |
| (50,000)                 | (569,088)           |
| -                        | 56,179              |
| 138,826                  | (659,909)           |
| <u>88,826</u>            | <u>(1,172,818)</u>  |
| -                        | (5,000)             |
| 704,500                  | 3,816,742           |
| <u>2,090</u>             | <u>20,960</u>       |
| <u>706,590</u>           | <u>3,832,702</u>    |
| 928,371                  | 3,741,981           |
| <u>47,517</u>            | <u>200,845</u>      |
| <u>\$ 975,888</u>        | <u>\$ 3,942,826</u> |

continued



CITY OF ORANGE CITY, IOWA  
COMBINING STATEMENT OF CASH FLOWS (Continued)  
Proprietary Funds  
For the Year Ended June 30, 2011

|  | Business Type Activities |                  |                  |
|--|--------------------------|------------------|------------------|
|  | Electric<br>Utility      | Water<br>Utility | Sewer<br>Utility |
| Reconciliation of Operating Income to Net<br>Cash Provided by Operating Activities             |                          |                  |                  |
| Operating Income   | \$ 913,942               | \$ 55,219        | \$ 3,171         |
| Adjustments to Reconcile Net Operating Income to Net Cash Provided by<br>Operating Activities: |                          |                  |                  |
| Depreciation   | 390,323                  | 235,236          | 178,238          |
| Other Non-Operating Income   | 34,993                   | 270,311          | 8,010            |
| Other Non-Operating Expenses   | (282,296)                | (10,806)         | (6,806)          |
| (Increase) Decrease in Assets:   |                          |                  |                  |
| Accounts Receivable  | 25,058                   | (5,219)          | 16,715           |
| Inventories  | 213                      | 693              | -                |
| Prepaid Expenses   | (256)                    | (384)            | 18               |
| TIF Receivable   | 52,108                   | -                | -                |
| Increase (Decrease) in Liabilities   |                          |                  |                  |
| Accounts Payable   | 65,750                   | (3,282)          | 20,538           |
| Accrued Wages and Compensated Absences   | 3,300                    | 4,017            | 3,024            |
| Accrued Expenses   | 3,020                    | 252              | (62)             |
| Customer Deposits  | 222                      | -                | -                |
| OPEB Liability   | 2,487                    | 1,066            | -                |
| Total Adjustments  | 294,922                  | 491,884          | 219,675          |
| Net Cash Provided by Operating Activities  | 1,208,864                | 547,103          | 222,846          |
| Cash and Cash Equivalents  | 1,295,334                | 747,117          | 557,598          |
| Revenue Bond Current Debt Service  | 366,889                  | -                | -                |
| Total Cash and Cash Equivalents  | \$ 1,662,223             | \$ 747,117       | \$ 557,598       |

See Accompanying Notes to Financial Statements

| Business Type Activities |                     |
|--------------------------|---------------------|
| Gas<br>Utility           | Total               |
| <u>\$ 240,781</u>        | <u>\$ 1,213,113</u> |
| 71,980                   | 875,777             |
| 50                       | 313,364             |
| (20,633)                 | (320,541)           |
| 13,020                   | 49,574              |
| (5,294)                  | (4,388)             |
| 179                      | (443)               |
| -                        | 52,108              |
| 3,407                    | 86,413              |
| 2,484                    | 12,825              |
| 1,562                    | 4,772               |
| (940)                    | (718)               |
| 711                      | 4,264               |
| <u>66,526</u>            | <u>1,073,007</u>    |
| <u>307,307</u>           | <u>2,286,120</u>    |
| 975,888                  | 3,575,937           |
| -                        | 366,889             |
| <u>\$ 975,888</u>        | <u>\$ 3,942,826</u> |

CITY OF ORANGE CITY, IOWA  
STATEMENT OF FIDUCIARY NET ASSETS  
Agency Fund  
JUNE 30, 2011

---

**ASSETS**

|                           |           |
|---------------------------|-----------|
| Cash and Cash Equivalents | \$ 40,688 |
|---------------------------|-----------|

|                     |               |
|---------------------|---------------|
| <b>Total Assets</b> | <b>40,688</b> |
|---------------------|---------------|

**LIABILITIES**

|                  |        |
|------------------|--------|
| Accounts Payable | 40,688 |
|------------------|--------|

|                          |                  |
|--------------------------|------------------|
| <b>Total Liabilities</b> | <b>\$ 40,688</b> |
|--------------------------|------------------|

See Accompanying Notes to Financial Statements

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

---

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Orange City, Iowa is a political subdivision of the State of Iowa located in Sioux County, and was incorporated in 1884, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Council-Manager form of government and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides electric, water, sewer and gas utilities.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. Reporting Entity**

For financial reporting purposes, the City of Orange City, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Orange City, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Complete financial statements of the individual component units, which issued separate financial statements as noted below, can be obtained from their respective administrative office.

Discretely Presented Component Unit - The Orange City Municipal Hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Orange City Area Health Foundation is a component unit of the Orange City Municipal Hospital, so the Foundation's financial data is combined with the Hospital's financial data. The municipal hospital is financially accountable to the City through budget responsibilities and debt issue restrictions.

Discretely Presented Component Unit - Orange City Municipal Golf Association's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. The Municipal Golf Association is financially accountable to the City through the City's involvement in providing the Association with financing and subsidizing Association operating losses.

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2011

---

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Sioux County Conference Board, Sioux County Emergency Management Commission, and Sioux County Joint E911 Service Board.

**B. Basic Financial Statements-Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, capital project and permanent funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, culture and recreation, community and economic development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

**C. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2011

---

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

**Governmental Fund Types** – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Special Revenue Funds - The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.
- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- 4) Capital Project Funds – Events Center and Hawkeye Project Funds are used to account for construction and financing of a new events center and a new retail and condominium building in downtown Orange City.

**Proprietary Fund Types** – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2011

---

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electric systems.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Gas Fund is used to account for the operation and maintenance of the City's gas system.

**Fiduciary Fund Types** – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's agency fund includes the payroll clearing fund.

**D. Basis of Accounting**

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2011

---

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

**E. Budgets**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the Debt Service function.

**F. Cash And Cash Equivalents And Investments**

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

**1) Cash and Cash Equivalents**

Includes demand deposits, cash on hand and cash investments with original maturities of three months or less.

**2) Investments**

The City and its component unit use the following methods in determining the reported amounts.

| <u>Type</u>   | <u>Method</u>                                |
|---|--|
| <u>City</u>   |  |
| Nonnegotiable Certificates of Deposit                                       | Cost   |
| Iowa Public Agency Investment Trust   | Fair Value determined by current share price |
| <u>Component Unit</u>   |  |
| Interest-earning investment contracts                                       |  |
| Nonnegotiable certificates of deposit                                       | Cost   |
| <u>Open-end mutual funds</u>  |  |
| (governmental external investment pool registered As an investment company) | Fair Value determined by current share price |
| <u>Publicly traded mutual funds</u>   |  |
|   | Fair Value based on quoted market prices     |
| <u>Debt Securities</u>  |  |
| Negotiable certificates of deposit and U.S. Government Agency Securities    |  |
| Maturity of one year or less when purchased                                 | Amortized cost                               |
| Maturity to more than one year when purchased                               | Fair Value based on quoted Market prices     |



CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2011

---

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Property Tax Receivable**

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010. Any county collections on the 2010 -2011 tax levy remitted to the City within 60 days subsequent to June 30, 2011, are recorded as property tax revenue.

**H. Short-Term Interfund Receivables/Payables**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2011, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

**I. Inventories**

Inventories of governmental funds are valued at cost using FIFO while those of enterprise funds are valued using the average cost method. For fund level reporting, the cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental funds are equally offset by a fund balance reserve which indicates they do not constitute available spendable resources even though they are a component of net current assets. Inventory of the discretely presented component units is valued at cost using FIFO.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items.

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2011

---

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Restricted Assets**

Revenue bond ordinances require the City to reserve certain cash and investments to provide for payment of bonds and interest, for protection of bondholders, and for extension and improvement of facilities. These balances are separately disclosed in the Enterprise Funds. Other restricted assets include temporary cash investments for the perpetual care fund.

**L. Property and Equipment**

Assets with an initial individual cost of \$5,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost of \$25,000 or more beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

|                          |               |
|--------------------------|---------------|
| Buildings & Improvements | 25 – 50 Years |
| Land Improvements        | 20 – 50 Years |
| Utility Plant            | 20 – 33 Years |
| Machinery & Equipment    | 3 – 20 Years  |
| Vehicles                 | 5 – 20 Years  |
| Infrastructure           | 10 – 65 Years |

**M. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability for this and any related benefits is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts and related benefits is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

**N. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2011

---

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**O. Fund Equity**

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (Statement). Certain of the significant changes in the Statement will require the following:

Fund balances for each of the City's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- *Assigned fund balance* – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance* – amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

In addition, the Statement clarifies the definitions of the various types of governmental funds. Interpretations of certain terms within the new definition of special revenue funds may affect which activities the City can report in special revenue funds.

The provisions of GASBS No. 54 were implemented by the City for the fiscal year beginning July 1, 2010. Implementation required the City to restate existing fund balances for the governmental funds, by combining the Local Option Sales Tax fund with the General fund increasing the General fund beginning fund balance by \$616,556.

**P. Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

---

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. Landfill Closure Costs**

The City does not operate a sanitary landfill; therefore, no closure/post closure costs are included in these statements.

**R. Classifying Fund Balance Amounts**

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

**S. Deferred Revenue**

Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of future year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City's deposits at June 30, 2011, were entirely covered by Federal Depository Insurance collateralized or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2011

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – (Continued)**

At June 30 the primary governments investments were reported at fair value as follows:

|  | <b>Credit Risk</b> | <b>Maturities</b> | <b>Fair Value</b> | <b>Interest Rates</b> |
|--|--------------------|-------------------|-------------------|-----------------------|
| Non-Negotiable Certificates of Deposit | N/A                | 7/9/11            | \$ 725,000        | .50%                  |
| Iowa Public Agency Investment Trust    | Not Rated          | Daily             | 63,742            | .05%                  |
| Totals                                 |                    |                   | <u>\$ 788,742</u> |                       |

As of June 30, 2011, the City's investments are reported at a fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

**Interest Rate Risk:** The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and uses of the City.

**Credit Risk:** The City's investment policy addresses the issue of credit risk. Investments are limited to certain types of investments and by diversifying the investment portfolio.

**Component Unit:** The Hospital's investments, except the mutual funds, are insured or registered or for which the securities are held by the Hospital or its agent in the Hospital's name. The mutual fund investments are uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the Hospital's name. All investments listed below, except the U.S. Government agency securities, are subject to custodial credit risk. The Hospital does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates (interest rate risk).

As of June 30, 2011, the Hospital's investments are reported at a fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

|   | <b><u>Maturities</u></b> |                     |
|---|--------------------------|---------------------|
| Edward D. Jones & Co., money market funds | Daily                    | \$ 363,039          |
| Negotiable certificates of deposit        | 05/16/11-05/14/12        | 3,791,973           |
| U.S. Government agency securities         | 01/15/15-11/01/31        | 10,107              |
| Mutual Funds                              | Daily                    | 971,293             |
| Iowa Public Agency Investment Trust       | Daily                    | 2,321,956           |
| Totals                                    |                          | <u>\$ 7,458,368</u> |

The primary objectives of the Hospital's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. The investment policy limits the investing of operating funds to instruments that mature within three hundred ninety-seven days. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2011

---

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – (Continued)**

of the Hospital.

There were no significant changes in investments held during the fiscal year ended June 30, 2011.

**Note 3 - PLEDGES RECEIVABLE**

At June 30, 2011, the component unit's Foundation pledges receivable consisted of pledges restricted for the building of a new health campus.

A summary of the activity in pledges receivable for the year ended June 30, 2011 is as follows:

|  |                   |
|--|-------------------|
| Beginning pledges receivable                               | \$ 8,475          |
| Pledges made during the year                               | 205,500           |
| Pledge payments received                                   | (65,500)          |
| Increase in allowance for uncollectible pledges receivable | (20,581)          |
| Total  | <u>\$ 127,894</u> |

Pledges receivable are expected to be received during the fiscal year ending June 30, 2011.

**Note 4 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2011, amounts due from other governments were as follows:

|   |                   |
|---|-------------------|
| Due from Orange City Municipal Golf Association                             | \$ 341,357        |
| Due from Orange City Health System  | 4,275             |
| Due from the Iowa Department of Transportation for road use tax allocations | 46,657            |
| Due from Sioux County for court fees and fines                              | 2,202             |
| Due from the State of Iowa for local option sales taxes                     | 98,473            |
| Total Due from Other Governments  | <u>\$ 492,964</u> |

**Note 5 - INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2011, short-term interfund borrowings were as follows:

| <u>Fund Due To</u> | <u>Fund Due From</u>               | <u>Amount</u>     |
|--------------------|------------------------------------|-------------------|
| Electric Fund      | Nonmajor Governmental Fund         | \$ 144,699        |
| Electric Fund      | General Fund                       | 140,000           |
| Water Fund         | Nonmajor Governmental Fund         | 3,250             |
| Electric Fund      | Events Center Capital Project Fund | 532,710           |
|                    |                                    | <u>\$ 820,659</u> |

Interfund receivables and payables are used to record negative pooled cash and to record money advanced to internally finance various projects.

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 6 - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

**Primary Government**

|   | Balance<br>July 1, 2010 | Additions    | Deletions | Balance<br>June 30, 2011 |
|---|-------------------------|--------------|-----------|--------------------------|
| <b>Governmental Activities:</b>             |                         |              |           |                          |
| Capital assets not being depreciated:       |                         |              |           |                          |
| Land  | \$ 759,438              | \$ -         | \$ -      | \$ 759,438               |
| Construction in Progress                    | 141,979                 | 971,688      | -         | 1,113,667                |
| Total capital assets not being depreciated  | 901,417                 | 971,688      | -         | 1,873,105                |
| Capital assets being depreciated:           |                         |              |           |                          |
| Buildings                                   | 4,987,107               | -            | -         | 4,987,107                |
| Improvements                                | 4,135,199               | -            | -         | 4,135,199                |
| Equipment                                   | 3,075,285               | 49,854       | 23,702    | 3,101,437                |
| Infrastructure                              | 31,977,528              | 6,000        | -         | 31,983,528               |
| Total capital assets being depreciated      | 44,175,119              | 55,854       | 23,702    | 44,207,271               |
| Less: Accumulated Depreciation for:         |                         |              |           |                          |
| Buildings                                   | 2,834,618               | 150,383      | -         | 2,985,001                |
| Improvements                                | 1,321,524               | 160,931      | -         | 1,482,455                |
| Equipment                                   | 1,539,842               | 204,097      | 18,962    | 1,724,977                |
| Infrastructure                              | 23,077,071              | 975,358      | -         | 24,052,429               |
| Total Accumulated Depreciation              | 28,773,055              | 1,490,769    | 18,962    | 30,244,862               |
| Total capital assets being depreciated, net | 15,402,064              | (1,434,915)  | 4,740     | 13,962,409               |
| Governmental activities capital assets, net | \$16,303,481            | \$ (463,227) | \$ 4,740  | \$ 15,835,514            |

Construction in progress at June 30, 2011, for the governmental activities consisted of airport improvements and the new events center.

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 6 - CAPITAL ASSETS – (Continued)**

|  | Balance<br>July 1, 2010 | Additions    | Deletions | Reclassifications | Balance<br>June 30, 2011 |
|--|-------------------------|--------------|-----------|-------------------|--------------------------|
| <b>Business-Type Activities:</b>             |                         |              |           |                   |                          |
| Capital assets not being depreciated:        |                         |              |           |                   |                          |
| Land   | \$ 380,478              | \$ -         | \$ -      | \$ -              | \$ 380,478               |
| Construction in Progress                     | 1,307                   | 220,320      | -         | -                 | 221,627                  |
| Total capital assets not being depreciated   | 381,785                 | 220,320      | -         | -                 | 602,105                  |
| Capital assets being depreciated:            |                         |              |           |                   |                          |
| Buildings                                    | 3,336,647               | -            | -         | -                 | 3,336,647                |
| Improvements                                 | 110,803                 | -            | -         | (80,560)          | 30,243                   |
| Equipment                                    | 4,263,894               | 37,831       | -         | (763,601)         | 3,538,124                |
| Utility Plant                                | 25,215,952              | 355,063      | -         | (2,820,444)       | 22,750,571               |
| Total capital assets being depreciated       | 32,927,296              | 392,894      | -         | (3,664,605)       | 29,655,585               |
| Less: Accumulated Depreciation for:          |                         |              |           |                   |                          |
| Buildings                                    | 1,199,678               | 80,535       | -         |                   | 1,280,213                |
| Improvements                                 | 85,329                  | 3,025        | -         | (80,561)          | 7,793                    |
| Equipment                                    | 2,821,984               | 189,428      | -         | (889,594)         | 2,121,818                |
| Utility Plant                                | 11,925,442              | 602,789      | -         | (3,377,249)       | 9,150,982                |
| Total Accumulated Depreciation               | 16,032,433              | 875,777      | -         | (4,347,404)       | 12,560,806               |
| Total capital assets being depreciated, net  | 16,894,863              | (482,883)    | -         | 682,799           | 17,094,779               |
| Business-type activities capital assets, net | \$17,276,648            | \$ (262,563) | \$ -      | \$ 682,799        | \$ 17,696,884            |

Depreciation expense was charged to functions/programs of the primary government as follows:

|   |                     |
|---|---------------------|
| <b>Governmental Activities:</b>                       |                     |
| Public Safety   | \$ 103,457          |
| Public Works  | 1,155,148           |
| Culture and Recreation                                | 216,663             |
| General Government                                    | 15,501              |
| Total depreciation expense – governmental activities  | <u>\$ 1,490,769</u> |
| <b>Business-Type Activities:</b>                      |                     |
| Electric  | \$ 390,323          |
| Water   | 235,236             |
| Sewer   | 178,238             |
| Gas   | 71,980              |
| Total depreciation expense – business-type activities | <u>\$ 875,777</u>   |



**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 6 - CAPITAL ASSETS – (Continued)**

A summary of changes in capital assets for the discretely presented component units are as follows:

**Orange City Municipal Hospital**

|   | Balance<br>July 1, 2010 | Additions      | Deletions  | Balance<br>June 30, 2011 |
|---|-------------------------|----------------|------------|--------------------------|
| Capital assets not being depreciated:       |                         |                |            |                          |
| Land  | \$ 1,495,823            | \$ -           | \$ 321,396 | \$ 1,174,427             |
| Construction in progress                    | -                       | 346,307        | -          | 346,307                  |
| Total capital assets not being depreciated  | 1,495,823               | 346,307        | 321,396    | 1,520,734                |
| Capital assets being depreciated:           |                         |                |            |                          |
| Land Improvements                           | 2,332,209               | -              | -          | 2,332,209                |
| Buildings                                   | 17,652,859              | -              | -          | 17,652,859               |
| Fixed Equipment                             | 23,375,182              | -              | -          | 23,375,182               |
| Major Movable Equipment                     | 12,750,834              | 268,856        | 586,878    | 12,432,812               |
| Total capital assets being depreciated      | 56,111,084              | 268,856        | 586,878    | 55,793,062               |
| Less: Accumulated Depreciation              | 24,596,556              | 2,813,892      | 586,878    | 26,823,570               |
| Total capital assets being depreciated, net | 31,514,528              | (2,545,036)    | -          | 28,969,492               |
| Governmental Activities Capital Assets-net  | \$ 33,010,351           | \$ (2,198,729) | \$ 321,396 | \$ 30,490,226            |

**Orange City Municipal Golf Association**

|                               | Balance<br>January 1,<br>2010 | Additions | Disposals | Reclassifications<br>Due to<br>Policy Change | Balance<br>December 31,<br>2010 |
|-------------------------------|-------------------------------|-----------|-----------|--|---------------------------------|
| Golf Course and Trail         | \$ 1,493,053                  | \$ -      | \$ 884    | \$ (11,455)                                  | \$ 1,480,714                    |
| Buildings                     | 560,714                       | 28,337    | 24,654    | (3,235)                                      | 561,162                         |
| Equipment                     | 343,124                       | 85,084    | 12,682    | (12,551)                                     | 402,975                         |
| Total                         | 2,396,891                     | 113,421   | 38,220    | (27,241)                                     | 2,444,851                       |
| Less Accumulated Depreciation | 814,248                       | 72,446    | 38,220    | (13,798)                                     | 834,976                         |
| Property and Equipment - Net  | \$ 1,582,643                  | \$ 40,675 | \$ -      | \$ (13,443)                                  | \$ 1,609,875                    |

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
June 30, 2011

**Note 6 - CAPITAL ASSETS – (Continued)**

**Reconciliation of Invested in Capital Assets:**

|  | Governmental<br>Activities | Business-Type<br>Activities | Component<br>Unit |              |
|--|----------------------------|-----------------------------|-------------------|--------------|
|  |                            |                             | Hospital          | Golf Course  |
| Land   | \$ 759,438                 | \$ 380,478                  | \$ 1,174,427      | \$ -         |
| Construction in Progress                         | 1,113,667                  | 221,627                     | 346,307           | -            |
| Capital Assets (net of accumulated depreciation) | 13,962,409                 | 17,094,779                  | 28,969,492        | 1,609,875    |
| Less: General Obligation Bonds Payable           | 6,715,000                  | -                           | -                 | -            |
| Revenue Bonds                                    | -                          | 5,570,000                   | 24,687,927        | -            |
| Capital Lease                                    | -                          | -                           | -                 | 61,811       |
| Invested in Capital Assets, Net of Related Debt  | \$ 9,120,514               | \$ 12,126,884               | \$ 5,802,299      | \$ 1,548,064 |

**Note 7 - LONG-TERM DEBT**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the City.

General obligation bonds outstanding as of June 30, 2011 are as follows:

| <b><u>Purpose</u></b>   | <b><u>Interest Rates</u></b> | <b><u>Amounts</u></b> |
|-------------------------|------------------------------|-----------------------|
| Governmental Activities | 1.45 – 6.10%                 | \$ 9,410,000          |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <b><u>Year<br/>Ending<br/>June 30,</u></b> | <b><u>Governmental Activities</u></b> |                        | <b><u>Total</u></b> |
|--|---------------------------------------|------------------------|---------------------|
|  | <b><u>Principal</u></b>               | <b><u>Interest</u></b> |                     |
| 2012                                       | \$ 905,000                            | \$ 358,715             | \$ 1,263,715        |
| 2013                                       | 885,000                               | 306,440                | 1,191,440           |
| 2014                                       | 920,000                               | 282,195                | 1,202,195           |
| 2015                                       | 900,000                               | 255,485                | 1,155,485           |
| 2016                                       | 895,000                               | 226,988                | 1,121,988           |
| 2017-2021                                  | 3,060,000                             | 709,025                | 3,769,025           |
| 2022-2026                                  | 1,395,000                             | 247,086                | 1,642,086           |
| 2027-2030                                  | 450,000                               | 44,119                 | 494,119             |
| Total                                      | \$ 9,410,000                          | \$ 2,430,053           | \$ 11,840,053       |

\$2,850,000 of the outstanding general obligation bonds were issued by the City for construction of the new hospital that is reported as a component unit. Therefore the remaining \$2,695,000 is not included as a component of invested in capital assets – net of related debt net asset.

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 7 - LONG-TERM DEBT – (Continued)**

**Revenue Bonds**

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service.

Revenue bonds outstanding at June 30, 2011 are as follows:

**Primary Government**

| <b>Purpose</b>         | <b>Interest Rates</b> | <b>Amounts</b>      |
|------------------------|-----------------------|---------------------|
| Electric Revenue Bonds | 1.50 – 4.50%          | \$ 2,165,000        |
| Water Revenue Bonds    | 1.60 – 5.10%          | 1,850,000           |
| Sewer Revenue Bonds    | 4.45 – 5.30%          | 500,000             |
| Gas Revenue Bonds      | 1.75 – 4.80%          | 1,055,000           |
|                        |                       | <u>\$ 5,570,000</u> |

**Component Unit**

| <b>Purpose</b>          | <b>Interest Rates</b> | <b>Amounts</b>       |
|-------------------------|-----------------------|----------------------|
| Hospital/Component Unit | 3.50 – 5.60%          | \$ 24,840,000        |
| Hospital/Component Unit | 0.0%                  | 72,000               |
|                         |                       | <u>\$ 24,912,000</u> |

The amount presented on the statement of Net Assets is shown net of Bond discounts of \$224,073.

Revenue bond debt service requirements to maturity are as follows:

**Primary Government**

| <b>Year<br/>Ending<br/>June 30,</b> | <b>Business-Type Activities</b> |                            |                            |                          |                     |                     |
|-------------------------------------|---------------------------------|----------------------------|----------------------------|--------------------------|---------------------|---------------------|
|                                     | <b>Electric<br/>Principal</b>   | <b>Sewer<br/>Principal</b> | <b>Water<br/>Principal</b> | <b>Gas<br/>Principal</b> | <b>Interest</b>     | <b>Total</b>        |
| 2012                                | \$ 200,000                      | \$ 115,000                 | \$ 110,000                 | \$ 100,000               | \$ 239,386          | \$ 764,386          |
| 2013                                | 210,000                         | 120,000                    | 115,000                    | 105,000                  | 218,159             | 768,159             |
| 2014                                | 220,000                         | 130,000                    | 120,000                    | 105,000                  | 195,048             | 700,048             |
| 2015                                | 230,000                         | 135,000                    | 120,000                    | 110,000                  | 170,153             | 765,153             |
| 2016                                | 240,000                         | -                          | 130,000                    | 115,000                  | 143,428             | 628,428             |
| 2017-2021                           | 965,000                         | -                          | 730,000                    | 520,000                  | 390,141             | 2,605,141           |
| 2022-2024                           | 100,000                         | -                          | 525,000                    | -                        | 42,981              | 667,981             |
| <b>Total</b>                        | <b>\$ 2,165,000</b>             | <b>\$ 500,000</b>          | <b>\$ 1,850,000</b>        | <b>\$ 1,055,000</b>      | <b>\$ 1,399,296</b> | <b>\$ 6,969,296</b> |

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 7 - LONG-TERM DEBT – (Continued)**

**Component Unit**

| Year<br>Ending<br><u>June 30,</u> | Subordinate Revenue<br>Capital Loan Note |                 | Revenue Notes Payable |                 | <u>Total</u>  |
|-----------------------------------|--|-----------------|-----------------------|-----------------|---------------|
|                                   | <u>Principal</u>                         | <u>Interest</u> | <u>Principal</u>      | <u>Interest</u> |               |
| 2012                              | \$ 72,000                                | \$ -            | \$ 650,000            | \$ 1,280,328    | \$ 2,002,328  |
| 2013                              | -  | -               | 675,000               | 1,252,443       | 1,927,443     |
| 2014                              | -  | -               | 705,000               | 1,222,888       | 1,927,888     |
| 2015                              | -  | -               | 735,000               | 1,191,573       | 1,926,573     |
| 2016                              | -  | -               | 770,000               | 1,158,318       | 1,928,318     |
| 2017-2021                         | -  | -               | 4,430,000             | 5,211,568       | 9,641,568     |
| 2022-2026                         | -  | -               | 5,705,000             | 3,930,810       | 9,635,810     |
| 2027-2031                         | -  | -               | 7,520,000             | 2,119,608       | 9,639,608     |
| 2032-2033                         | -  | -               | 3,650,000             | 207,200         | 3,857,200     |
| Total                             | 72,000                                   | -               | 24,840,000            | 17,574,736      | 42,486,736    |
| Less unamortized discount         | -  | -               | (224,073)             | -               | (224,073)     |
| Total                             | \$ 72,000                                | \$ -            | \$ 24,615,927         | \$ 17,574,736   | \$ 42,262,663 |

**New Bond Issues**

On October 1, 2010, the City issued \$1,500,000 to finance the Hawkeye Project. The bonds have interest rates ranging from 2.0% to 4.125% and mature on June 1, 2030.

**Changes in Long-Term Liabilities**

Long-Term liability activity for the year ended June 30, 2011, was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|---|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| <b>Primary Government:</b>                      |                              |                  |                   |                           |                                |
| <b>Governmental Activities:</b>                 |                              |                  |                   |                           |                                |
| Bonds Payable:                                  |                              |                  |                   |                           |                                |
| General Obligation Bonds                        | \$ 8,760,000                 | \$ 1,500,000     | \$ 850,000        | \$ 9,410,000              | \$ 920,000                     |
| Compensated Absences                            | 70,599                       | 73,795           | 70,599            | 73,795                    | 73,795                         |
| Other Post Employment Benefits                  | 15,160                       | 7,580            | -                 | 22,740                    | -                              |
| Governmental Activity<br>Long-Term Liabilities  | 8,845,759                    | 1,581,375        | 920,599           | 9,506,535                 | 993,795                        |
| <b>Business-Type Activities:</b>                |                              |                  |                   |                           |                                |
| Bonds Payable:                                  |                              |                  |                   |                           |                                |
| Revenue Bonds                                   | 6,080,000                    | -                | 510,000           | 5,570,000                 | 525,000                        |
| Compensated Absences                            | 60,829                       | 69,394           | 60,829            | 69,394                    | 17,350                         |
| Other Post Employment Benefits                  | 8,528                        | 4,264            | -                 | 12,792                    | -                              |
| Business-Type Activity<br>Long-Term Liabilities | 6,149,357                    | 73,658           | 570,829           | 5,652,186                 | 542,350                        |
| <b>Component Unit:</b>                          |                              |                  |                   |                           |                                |
| Bonds Payable:                                  |                              |                  |                   |                           |                                |
| Revenue Bonds                                   | 25,604,000                   | -                | 692,000           | 24,912,000                | 722,000                        |
| Other Post Employment Benefits                  | 31,680                       | 8,320            | -                 | 40,000                    | -                              |
|   | \$25,635,680                 | \$ 8,320         | \$ 692,000        | \$ 24,952,000             | \$ 722,000                     |

The City maintains a policy prohibiting the accumulation of compensated absences thus the total ending balance represents the amount expected to be paid within one year.

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2011

---

**Note 8 - TRANSFERS**

The following is a summary of transfers between funds:

|                    | General    | Nonmajor<br>Governmental | Total<br>Transfers Out |
|--------------------|------------|--------------------------|------------------------|
| Road Use Tax       | \$ 400,000 | \$ 166,238               | \$ 566,238             |
| Water              | 248,000    | -                        | 248,000                |
| Sewer              | 23,000     | -                        | 23,000                 |
| Electric           | 248,088    | -                        | 248,088                |
| Gas                | 50,000     |                          | 50,000                 |
| Total Transfers In | \$ 969,088 | \$ 166,238               | \$ 1,135,326           |

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Use unrestricted revenues collected in proprietary funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 9 - PENSION AND RETIREMENT**

**Iowa Public Employees Retirement System** - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50 percent of their annual covered salary and the City is required to contribute 6.95 percent of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$134,259, \$129,736, and \$112,069, respectively, equal to the required contributions for each year.

In addition, the hospital component unit contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$1,064,491, \$985,438, and \$941,174, respectively, equal to the required contributions for each year.

**Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan Description** - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees. There are 35 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a premium only plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
June 30, 2011

**Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

|  |           |
|--|-----------|
| Annual required contribution               | \$ 12,965 |
| Interest on net OPEB obligation            | -         |
| Adjustment to annual required contribution | -         |
| Annual OPEB cost                           | 12,965    |
| Contributions made                         | (1,121)   |
| Increase in net OPEB obligation            | 11,844    |
| Net OPEB obligation beginning of year      | 23,688    |
| Net OPEB obligation end of year            | \$ 35,532 |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009, which was used for June 30, 2011 financials as well.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009, 2010 and 2011 are summarized as follows:

| Year Ended    | Annual OPEB Cost | Percentage of Annual<br>OPEB Cost<br>Contributed | Net OPEB Obligation |
|---------------|------------------|--|---------------------|
| June 30, 2011 | \$ 12,965        | 8.7%   | \$ 35,532           |
| June 30, 2010 | \$ 12,965        | 8.7%   | \$ 23,688           |
| June 30, 2009 | \$ 12,965        | 8.7%   | \$ 11,844           |

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$112,988, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$112,988. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,574,483 and the ratio of the UAAL to covered payroll was 7.2%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2011

---

**Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date using the Alternative Measurement Method (AMM) permitted under GASB Statement, a simplified version of the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions includes a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 5% ultimate rate.

Mortality rates are from the RP 2000 Mortality Table. Non-group specific age-based turnover data from Scale T-2 of the Actuary's Pension Handbook were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Projected claim costs of the medical plan are \$10,999 per year for retirees less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

In addition the Orange City Municipal Hospital maintains a similar plan with a net OPEB obligation at June 30, 2011 of \$40,000.

**Note 11 - MAJOR CUSTOMER**

During the year ended June 30, 2011, electric, water, sewer, and gas charges for services provided by the City to Advance Pierre Foods, Inc. were \$1,743,994, \$160,267, \$151,293 and \$902,519, respectively. This represents 23.5%, 19.3%, 26.7% and 29.8%, respectively, of total charges for services.

**Note 12 - FUND BALANCE**

The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 28-29). As discussed in Note 1, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Council or the Assignment

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2011

---

**Note 12 - FUND BALANCE - (Continued)**

has been changed by the City Administrator. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

**General Fund**

The General Fund has Unassigned Fund Balance of \$1,611,731 at June 30, 2011.

**Other Major Funds**

The Road Use Tax Fund has a Restricted Fund Balance of \$382,920 consisting of primarily unspent funds used for street construction and maintenance. Inventory balances at June 30, 2011 of \$23,799 are considered Nonspendable Fund Balance.

The Debt Service Fund has a Restricted Fund Balance of \$64,480 consisting of primarily unspent funds used to pay general obligation bond principal and interest.

**Other Funds**

The following non-major fund has Restricted Fund Balances for specific purposes:

TIF - Special Revenue Fund:    For housing projects and economic development    \$627,892

The following non-major fund has an assigned fund balance for construction:

Highway 10 Widening Project:    For street projects    \$ 52,504

The following non-major fund has a Nonspendable Fund Balance:

Cemetery Perpetual Care:    For cemetery maintenance    \$ 84,525

**Note 13 - DEFICIT FUND EQUITY**

The City has two funds with a deficit equity balances at June 30, 2011. The City intends to finance these deficits from various resources including; road use tax funds, general funds, and capital project debt financing.

The individual fund deficits were as follows:

|  |            |
|--|------------|
| Capital Project – Events Center .....  | \$ 683,799 |
| Capital Project – Industrial Park..... | 168,990    |



**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

---

**Note 14 - RISK FINANCING**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2010-2011 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no reductions in insurance coverage from prior years, nor were there settlements in excess of insurance coverage the last three years.

**Note 15 - COMMITMENTS**

At June 30, 2011 the City had three construction contracts in process with the following approximate contracts remaining:

|                 |              |
|-----------------|--------------|
| Industrial Park | \$ 1,084,452 |
| Events Center   | 3,118,282    |
| Events Center   | 426,535      |

**Note 16 - INVESTMENT IN JOINT VENTURE**

The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative to the City Limits. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns a 26.81 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for by the equity method in the Electric Fund.

Summary financial information of the joint venture for the year ended December 31, 2010 follows:

|                                | <b>Total</b>        |
|--------------------------------|---------------------|
| Assets .....                   | <u>\$ 7,418,329</u> |
| Liabilities .....              | <u>417,267</u>      |
| Equity .....                   | <u>7,001,062</u>    |
|                                | <u>7,418,329</u>    |
| Revenues.....                  | <u>1,098,564</u>    |
| Expenses .....                 | <u>1,243,205</u>    |
| Net (Decrease) in Equity ..... | <u>\$ (144,641)</u> |

The joint venture has no outstanding debt. Separately issued financial statements for the joint venture can be obtained directly from the MBMECA administrative offices.

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

---

**Note 16 - INVESTMENT IN JOINT VENTURE – (Continued)**

The City is a participant in the Orange City Communications, a joint venture for the construction and maintenance of a high-speed data internet and telecommunications system. The City owns 50 percent share of the venture with Long Lines Limited, Inc. sharing equally in the ownership. Summary financial information of the joint venture for the year ended June 30, 2011 is as follows:

|                             | <b>Total</b>             |
|-----------------------------|--------------------------|
| Assets .....                | <u>\$ 3,986,229</u>      |
| Liabilities .....           | <u>1,824,494</u>         |
| Equity .....                | <u>2,161,735</u>         |
|                             | <u>3,986,229</u>         |
| Revenues.....               | <u>2,607,140</u>         |
| Expenses .....              | <u>2,096,671</u>         |
| Net Increase in Equity..... | <u><u>\$ 510,469</u></u> |

**Note 17 - Prior Period Adjustments**

The City is a 50% owner in Orange City Communications. Prior to 2010, the investment was accounted for on the cost method. The investment is now being reported on the equity method. This change resulted in an increase in investment of \$200,000 and equity in the water fund of the same amount as of June 30, 2010.

The City completed a complete update of the accounting for property, plant and equipment in the electric fund in light of the change in capitalization policy and a change from composite depreciation to straight line. This change resulted in an increase in property, plant and equipment and net assets in the electric fund of \$682,796.

**Note 19 - Subsequent Events**

On July 7, 2011 the City refunded \$645,000 of 2002 general obligation bonds and on July 7, 2011 issued \$2,250,000 of general obligation bonds to finance the construction of the new events center.

**CITY OF ORANGE CITY, IOWA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET**  
**AND ACTUAL, ALL GOVERNMENTAL AND PROPRIETARY FUNDS - GAAP BASIS**  
**For the Year Ended June 30, 2011**

|   | Governmental<br>Fund Type<br>Actual | Proprietary<br>Funds<br>Actual |
|---|-------------------------------------|--------------------------------|
| Revenue:  |                                     |                                |
| Taxes   | \$ 2,357,270                        | \$ -                           |
| Special Assessments   | -                                   | -                              |
| Licenses and Permits  | 4,541                               | -                              |
| Intergovernmental   | 748,271                             | -                              |
| Charges for Services  | 440,500                             | 11,853,347                     |
| Fines and Forfeits  | 28,640                              | -                              |
| Contributions from Property Owners  | 8,109                               | -                              |
| TIF Revenue   | 468,922                             | -                              |
| Local Option Sales Tax  | 646,042                             | -                              |
| Proceeds from Sale of Real Estate   | 100,120                             | -                              |
| Interest  | 3,963                               | 18,935                         |
| Miscellaneous   | 242,227                             | 313,364                        |
| Total Revenue   | <u>5,048,605</u>                    | <u>12,185,646</u>              |
| Expenditures:   |                                     |                                |
| Public Safety   | 757,212                             | -                              |
| Public Works  | 810,124                             | -                              |
| Culture and Recreation  | 1,102,791                           | -                              |
| Community and Economic Development  | 221,428                             | -                              |
| General Government  | 695,362                             | -                              |
| Capital Projects  | 2,336,490                           | -                              |
| Debt Service  | 1,197,366                           | -                              |
| Business Type Activities  | -                                   | 11,226,182                     |
| Total Expenditures  | <u>7,120,773</u>                    | <u>11,226,182</u>              |
| Excess (deficiency) of revenues over expenditures   | (2,072,168)                         | 959,464                        |
| Other financing sources (uses):   |                                     |                                |
| Proceeds from Debt Financing  | 1,500,000                           | -                              |
| Interfund Transfers In  | 1,135,326                           | -                              |
| Interfund Transfers Out   | (566,238)                           | (569,088)                      |
| Total other financing sources (uses)  | <u>2,069,088</u>                    | <u>(569,088)</u>               |
| Excess (deficiency) of revenues and other financing sources<br>over expenditures and other financing uses | (3,080)                             | 390,376                        |
| Fund balances-beginning of year   | 1,988,982                           | 21,019,357                     |
| Increase/(Decrease) in Reserve for Inventory  | 9,160                               | -                              |
| Fund balances- end of year  | <u>\$ 1,995,062</u>                 | <u>\$ 21,409,733</u>           |

| Orange City<br>Municipal<br>Hospital | Total<br>Actual      | Budgeted Amounts     |                      | Final Budget<br>Favorable<br>(Unfavorable) |
|--------------------------------------|----------------------|----------------------|----------------------|--|
|                                      |                      | Original             | Final                |  |
| \$ -                                 | \$ 2,357,270         | \$ 2,389,933         | \$ 2,389,933         | \$ (32,663)                                |
| -                                    | -                    | -                    | -                    | -  |
| -                                    | 4,541                | 4,175                | 4,175                | 366  |
| -                                    | 748,271              | 1,614,180            | 1,633,180            | (884,909)                                  |
| 35,933,300                           | 48,227,147           | 50,355,500           | 51,370,500           | (3,143,353)                                |
| -                                    | 28,640               |                      |                      | 28,640                                     |
| -                                    | 8,109                | 5,000                | 5,000                | 3,109                                      |
| -                                    | 468,922              | 230,000              | 230,000              | 238,922                                    |
| -                                    | 646,042              |                      |                      | 646,042                                    |
| -                                    | 100,120              |                      |                      | 100,120                                    |
| 217,406                              | 240,304              | 214,350              | 214,350              | 25,954                                     |
| 366,046                              | 921,637              | 111,000              | 236,000              | 685,637                                    |
| <u>36,516,752</u>                    | <u>53,751,003</u>    | <u>54,924,138</u>    | <u>56,083,138</u>    | <u>(2,332,135)</u>                         |
| -                                    | 757,212              | 835,122              | 841,122              | 83,910                                     |
| -                                    | 810,124              | 829,103              | 876,743              | 66,619                                     |
| -                                    | 1,102,791            | 1,166,580            | 1,181,230            | 78,439                                     |
| -                                    | 221,428              | 300,780              | 300,780              | 79,352                                     |
| -                                    | 695,362              | 511,754              | 731,754              | 36,392                                     |
| -                                    | 2,336,490            | 4,625,000            | 4,625,000            | 2,288,510                                  |
| -                                    | 1,197,366            | 1,107,459            | 1,107,459            | (89,907)                                   |
| 35,424,116                           | 46,650,298           | 49,114,318           | 50,114,318           | 3,464,020                                  |
| <u>35,424,116</u>                    | <u>53,771,071</u>    | <u>58,490,116</u>    | <u>59,778,406</u>    | <u>6,007,335</u>                           |
| 1,092,636                            | (20,068)             | (3,565,978)          | (3,695,268)          | 3,675,200                                  |
| -                                    | 1,500,000            | 4,500,000            | 4,500,000            | (3,000,000)                                |
| -                                    | 1,135,326            | 1,353,000            | 1,353,000            | (217,674)                                  |
| -                                    | (1,135,326)          | (1,353,000)          | (1,353,000)          | 217,674                                    |
| <u>-</u>                             | <u>1,500,000</u>     | <u>4,500,000</u>     | <u>4,500,000</u>     | <u>(3,000,000)</u>                         |
| 1,092,636                            | 1,479,932            | 934,022              | 804,732              | 675,200                                    |
| 23,993,777                           | 47,002,116           | 47,722,913           | 44,289,513           | 2,712,603                                  |
| -                                    | 9,160                | -                    | -                    | 9,160                                      |
| <u>\$ 25,086,413</u>                 | <u>\$ 48,491,208</u> | <u>\$ 48,656,935</u> | <u>\$ 45,094,245</u> | <u>\$ 3,396,963</u>                        |

CITY OF ORANGE CITY, IOWA  
Notes to Required Supplementary Information  
June 30, 2011

---

The City's legal compliance for budget to actual comparison is specified in Chapter 384.16 of the Code of Iowa and is for expenditures by program/function. The City budgets on a modified accrual basis. The legal level of control is at the aggregated function level, not at the fund or fund type level. Budgets are prepared on a program basis for all funds except the agency funds.

During the fiscal year 2011, the City held public hearings and amended the operating budget once. The amendment is as follows:

| <u>Program</u>                     | <u>Original<br/>Budget</u> | <u>5/16/11<br/>Amendment</u> | <u>Amended<br/>Budget</u> |
|------------------------------------|----------------------------|------------------------------|---------------------------|
| Public Safety                      | \$ 835,122                 | \$ 6,000                     | \$ 841,122                |
| Public Works                       | 829,103                    | 47,640                       | 876,743                   |
| Culture & Recreation               | 1,166,580                  | 14,650                       | 1,181,230                 |
| Community and Economic Development | 300,780                    | -                            | 300,780                   |
| General Government                 | 511,754                    | 220,000                      | 731,754                   |
| Capital Projects                   | 4,625,000                  | -                            | 4,625,000                 |
| Debt Service                       | 1,107,459                  | -                            | 1,107,459                 |
| Business Type/Enterprise           | 49,114,318                 | 1,000,000                    | 50,114,318                |

CITY OF ORANGE CITY, IOWA  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
For the Year Ended June 30, 2011

REQUIRED SUPPLEMENTARY INFORMATION

| Year Ended June 30 | Actuarial Valuation Date |   | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)-Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------|--------------------------|---|-------------------------------|---|---------------------------|--------------------|---------------------|---|
| 2009               | July 1, 2009             | * | \$ -                          | \$ 112,988                                      | \$ 112,988                | 0.00%              | \$ 1,574,483        | 7.2%  |
| 2010               | July 1, 2009             |   | \$ -                          | \$ 112,988                                      | \$ 112,988                | 0.00%              | \$ 1,574,483        | 7.2%  |
| 2011               | July 1, 2009             |   | \$ -                          | \$ 112,988                                      | \$ 112,988                | 0.00%              | \$ 1,574,483        | 7.2%  |

\* Fiscal 2009 was the first year for calculating the Post Employment Benefit Obligation so information from previous years is not available.

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and Net OPEB Obligation, funding status and funding progress.

**CITY OF ORANGE CITY, IOWA**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**JUNE 30, 2011**

|   | Special<br>Revenue | Capital Projects                  |                                    |
|---|--------------------|-----------------------------------|------------------------------------|
|   |                    | Highway 10<br>Widening<br>Project | Downtown<br>Streetscape<br>Project |
|   | TIF                |                                   |                                    |
| <b>Assets</b>   |                    |                                   |                                    |
| Cash and Pooled Investments   | \$ 636,736         | \$ 52,504                         | \$ -                               |
| Receivables (Net, where applicable, of allowance<br>for uncollectibles) |                    |                                   |                                    |
| Subsequent Year Taxes   | 250,000            | -                                 | -                                  |
| <b>Total Assets</b>   | <u>886,736</u>     | <u>52,504</u>                     | <u>-</u>                           |
| <b>Liabilities and Fund Balances</b>                                    |                    |                                   |                                    |
| <b>Liabilities:</b>   |                    |                                   |                                    |
| Accounts Payable  | -                  | -                                 | -                                  |
| Deposits on Future Debt Issuance  | -                  | -                                 | -                                  |
| Due to Other Funds  | 8,844              | -                                 | -                                  |
| Deferred Revenue - Subsequent Year Taxes                                | 250,000            | -                                 | -                                  |
| <b>Total Liabilities</b>  | <u>258,844</u>     | <u>-</u>                          | <u>-</u>                           |
| <b>Fund Balances:</b>   |                    |                                   |                                    |
| Nonspendable:   |                    |                                   |                                    |
| Permanent Fund Principal  | -                  | -                                 | -                                  |
| Restricted for:   |                    |                                   |                                    |
| TIF   | 627,892            | -                                 | -                                  |
| Assigned for:   |                    |                                   |                                    |
| Capital Projects  | -                  | 52,504                            | -                                  |
| Unassigned  |                    |                                   | -                                  |
| <b>Total Fund Balances (Deficits)</b>                                   | <u>627,892</u>     | <u>52,504</u>                     | <u>-</u>                           |
| <b>Total Liabilities and Equity</b>                                     | <u>\$ 886,736</u>  | <u>\$ 52,504</u>                  | <u>\$ -</u>                        |

| Capital Projects |                      | Permanent Cemetery Perpetual Care Fund | Total Governmental Nonmajor Funds |
|------------------|----------------------|--|-----------------------------------|
| Industrial Park  | Airport Improvements |  |                                   |
| \$ -             | \$ -                 | \$ 84,525                              | \$ 773,765                        |
| -                | -                    | -                                      | 250,000                           |
| -                | -                    | 84,525                                 | 1,023,765                         |
| 20,172           | -                    | -                                      | 20,172                            |
| 9,713            | -                    | -                                      | 9,713                             |
| 139,105          | -                    | -                                      | 147,949                           |
| -                | -                    | -                                      | 250,000                           |
| 168,990          | -                    | -                                      | 427,834                           |
| -                | -                    | 84,525                                 | 84,525                            |
| -                | -                    | -                                      | 627,892                           |
| -                | -                    | -                                      | 52,504                            |
| (168,990)        | -                    | -                                      | (168,990)                         |
| (168,990)        | -                    | 84,525                                 | 595,931                           |
| \$ -             | \$ -                 | \$ 84,525                              | \$ 1,023,765                      |



CITY OF ORANGE CITY, IOWA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Governmental Nonmajor Funds

For the Year Ended June 30, 2011

|   | Special<br>Revenue | Capital Projects                  |                                    |
|---|--------------------|-----------------------------------|------------------------------------|
|   |                    | Highway 10<br>Widening<br>Project | Downtown<br>Streetscape<br>Project |
|   | TIF                |                                   |                                    |
| Revenue:  |                    |                                   |                                    |
| TIF Revenue                                       | \$ 255,136         | \$ -                              | \$ -                               |
| Proceeds from Sale of Real Estate                 | 100,120            | -                                 | -                                  |
| Miscellaneous                                     | -                  | -                                 | -                                  |
| Total Revenue                                     | 355,256            | -                                 | -                                  |
| Expenditures:                                     |                    |                                   |                                    |
| Capital Projects                                  | -                  | -                                 | 6,001                              |
| Debt Service:                                     |                    |                                   |                                    |
| Principal Retirement                              | 65,000             | -                                 | -                                  |
| Interest  | 17,540             | -                                 | -                                  |
| Total Expenditures                                | 82,540             | -                                 | 6,001                              |
| Excess (deficiency) of revenues over expenditures | 272,716            | -                                 | (6,001)                            |
| Other financing sources (uses):                   |                    |                                   |                                    |
| Transfers In                                      | -                  | -                                 | 166,238                            |
| Total other financing sources (uses)              | -                  | -                                 | 166,238                            |
| Net Change in Fund Balance                        | 272,716            | -                                 | 160,237                            |
| Fund balances (Deficits)-beginning of year        | 355,176            | 52,504                            | (160,237)                          |
| Fund balances (Deficits)- end of year             | \$ 627,892         | \$ 52,504                         | \$ -                               |

| Capital Projects |                      | Permanent Cemetery  | Total Governmental |
|------------------|----------------------|---------------------|--------------------|
| Industrial Park  | Airport Improvements | Perpetual Care Fund | Nonmajor Funds     |
| - \$             | - \$                 | - \$                | 255,136            |
| -                | -                    | -                   | 100,120            |
| -                | -                    | 1,700               | 1,700              |
| -                | -                    | 1,700               | 356,956            |
| 168,990          | 2,965                | -                   | 177,956            |
| -                | -                    | -                   | 65,000             |
| -                | -                    | -                   | 17,540             |
| 168,990          | 2,965                | -                   | 260,496            |
| (168,990)        | (2,965)              | 1,700               | 96,460             |
| -                | -                    | -                   | 166,238            |
| -                | -                    | -                   | 166,238            |
| (168,990)        | (2,965)              | 1,700               | 262,698            |
| -                | 2,965                | 82,825              | 333,233            |
| \$ (168,990)     | \$ -                 | \$ 84,525           | \$ 595,931         |

CITY OF ORANGE CITY, IOWA  
Statement of Changes in Assets and Liabilities  
Agency Fund  
For the Year Ended June 30, 2011

|                                | Balance<br>July 1, 2010 | Additions | Deductions | Balance<br>June 30, 2011 |
|--------------------------------|-------------------------|-----------|------------|--------------------------|
| <b><u>PAYROLL CLEARING</u></b> |                         |           |            |                          |
| <u>Assets</u>                  |                         |           |            |                          |
| Cash and Cash Equivalents      | \$ 36,781               | \$ -      | \$ -       | \$ 36,781                |
| Total Assets                   | 36,781                  | -         | -          | 36,781                   |
| <u>Liabilities</u>             |                         |           |            |                          |
| Accounts Payable               | 36,781                  | -         | -          | 36,781                   |
| Total Liabilities              | \$ 36,781               | \$ -      | \$ -       | \$ 36,781                |

## STATISTICAL SECTION

This part of the City of Orange City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| Financial Trends   | 75          |
| These schedules contain trend information to help the reader understand how the Government's financial performance and well-being have changed over time.  |             |
| Revenue Capacity   | 78          |
| These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.  |             |
| Debt Capacity  | 82          |
| These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.                    |             |
| Operating Information  | 92          |
| These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. |             |
| Demographic and Economic Information   | 96          |
| These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.   |             |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City  
Net Assets by Component  
Last Eight Fiscal Years  
(accrual basis of accounting)

|   | Fiscal Year   |               |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          |
| <b>Governmental Activities</b>                  |               |               |               |               |               |               |               |               |
| Invested in capital assets, net of related debt | \$ 9,491,848  | \$ 10,245,341 | \$ 10,447,176 | \$ 11,505,090 | \$ 11,563,418 | \$ 10,910,100 | \$ 10,393,481 | \$ 9,120,514  |
| Restricted                                      | 95,709        | 104,647       | 103,957       | 109,467       | 96,313        | 93,701        | 1,469,772     | 1,183,616     |
| Unrestricted                                    | 1,346,380     | (3,044,617)   | (2,496,606)   | (2,131,149)   | (1,054,152)   | (1,186,561)   | (2,184,050)   | (1,755,888)   |
| Total governmental activities net assets        | \$ 10,933,937 | \$ 7,305,371  | \$ 8,054,527  | \$ 9,483,408  | \$ 10,605,579 | \$ 9,817,240  | \$ 9,679,203  | \$ 8,548,242  |
| <b>Business-type activities</b>                 |               |               |               |               |               |               |               |               |
| Invested in capital assets, net of related debt | \$ 8,491,081  | \$ 9,243,826  | \$ 9,908,173  | \$ 10,124,878 | \$ 10,657,299 | \$ 10,959,620 | \$ 11,196,648 | \$ 12,126,884 |
| Restricted                                      | -             | 2,828,947     | 1,098,131     | 1,183,353     | 1,212,682     | 1,103,948     | 1,106,148     | 990,235       |
| Unrestricted                                    | 7,993,884     | 4,889,654     | 6,657,609     | 6,183,553     | 6,393,401     | 6,903,632     | 7,833,765     | 8,292,614     |
| Total business-type activities net assets       | \$ 16,484,965 | \$ 16,962,427 | \$ 17,663,913 | \$ 17,491,784 | \$ 18,263,382 | \$ 18,967,200 | \$ 20,136,561 | \$ 21,409,733 |
| <b>Primary government</b>                       |               |               |               |               |               |               |               |               |
| Invested in capital assets, net of related debt | \$ 17,982,929 | \$ 19,489,167 | \$ 20,355,349 | \$ 21,629,968 | \$ 22,220,717 | \$ 21,869,720 | \$ 21,590,129 | \$ 21,247,398 |
| Restricted                                      | 95,709        | 2,933,594     | 1,202,088     | 1,292,820     | 1,308,995     | 1,197,649     | 2,575,920     | 2,173,851     |
| Unrestricted                                    | 9,340,264     | 1,845,037     | 4,161,003     | 4,052,404     | 5,339,249     | 5,717,071     | 5,649,715     | 6,536,726     |
| Total primary government net assets             | \$ 27,418,902 | \$ 24,267,798 | \$ 25,718,440 | \$ 26,975,192 | \$ 28,868,961 | \$ 28,784,440 | \$ 29,815,764 | \$ 29,957,975 |

Note: GASB 34 implemented in 2004 and therefore only 8 years presented.

**City of Orange City**  
**Changes in Net Assets**  
**Last Eight Fiscal Years**  
**(accrual basis of accounting)**

|   | Fiscal Year           |                       |                       |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2004                  | 2005                  | 2006                  | 2007                  | 2008                  | 2009                  | 2010                  | 2011                  |
| <b>Expenses</b>                                 |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities:                        |                       |                       |                       |                       |                       |                       |                       |                       |
| Public Safety                                   | \$ 648,483            | \$ 571,640            | \$ 615,728            | \$ 628,231            | \$ 717,219            | \$ 767,486            | \$ 795,713            | \$ 830,457            |
| Public Works                                    | 1,489,282             | 1,503,075             | 1,554,367             | 1,726,845             | 1,922,753             | 1,842,509             | 1,121,275             | 1,975,401             |
| Culture and Recreation                          | 1,104,755             | 923,700               | 934,012               | 1,008,064             | 772,638               | 1,702,991             | 2,149,142             | 1,311,021             |
| Community and Economic Development              | 88,712                | 3,510,694             | 66,129                | 348,231               | 338,867               | 418,230               | 475,593               | 1,572,043             |
| General Government                              | 436,509               | 442,852               | 702,510               | 427,357               | 469,266               | 451,379               | 543,010               | 714,572               |
| Capital Projects                                | 299,765               | -                     | -                     | -                     | 477,310               | -                     | -                     | -                     |
| Debt Service                                    | 195,476               | 281,582               | 325,456               | 363,550               | 339,423               | 404,733               | 338,853               | 347,165               |
| Total governmental activities expenses          | <u>4,262,982</u>      | <u>7,233,543</u>      | <u>4,198,202</u>      | <u>4,502,278</u>      | <u>5,037,476</u>      | <u>5,587,328</u>      | <u>5,423,586</u>      | <u>6,750,659</u>      |
| Business-Type Activities:                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Electric  | 3,969,124             | 4,360,760             | 4,649,895             | 5,098,083             | 5,496,756             | 6,170,727             | 6,582,661             | 6,891,993             |
| Water   | 591,156               | 673,470               | 715,885               | 725,194               | 754,465               | 762,179               | 845,775               | 873,848               |
| Sewer   | 456,873               | 478,203               | 472,866               | 466,201               | 490,251               | 477,046               | 533,308               | 601,445               |
| Gas   | 2,887,306             | 3,257,135             | 4,501,118             | 4,106,127             | 4,360,806             | 3,754,752             | 2,995,251             | 2,858,896             |
| Total business-type activities expenses         | <u>7,904,459</u>      | <u>8,769,568</u>      | <u>10,339,764</u>     | <u>10,395,605</u>     | <u>11,102,278</u>     | <u>11,164,704</u>     | <u>10,956,995</u>     | <u>11,226,182</u>     |
| Total primary government expenses               | <u>12,167,441</u>     | <u>16,003,111</u>     | <u>14,537,966</u>     | <u>14,897,883</u>     | <u>16,139,754</u>     | <u>16,752,032</u>     | <u>16,380,581</u>     | <u>17,976,841</u>     |
| <b>Program Revenues</b>                         |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities:                        |                       |                       |                       |                       |                       |                       |                       |                       |
| Charges for services:                           |                       |                       |                       |                       |                       |                       |                       |                       |
| Public Safety                                   | 111,832               | 120,206               | 117,314               | 27,321                | -                     | 10,934                | 22,835                | 18,328                |
| Public Works                                    | 154,969               | 202,243               | 321,340               | 204,800               | 203,127               | 224,791               | 226,434               | 246,619               |
| Health and Social Services                      | 4,283                 | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Culture and Recreation                          | 104,938               | 108,247               | 118,718               | 204,205               | 154,678               | 202,769               | 198,059               | 237,037               |
| Community & Economic Development                |                       |                       | 25,635                | 25,511                | 17,086                | 19,751                | 58,036                | 22,883                |
| General Government                              | 64,542                | 79,788                | 17,416                | 12,002                | 8,549                 | 30,341                | 12,809                | 11,805                |
| Capital Projects                                |                       | 64,195                | -                     | -                     | -                     | -                     | -                     | -                     |
| Operating grants and contributions              | 53,302                | 136,151               | 68,957                | 682,784               | 619,533               | 1,129,518             | 711,108               | 748,271               |
| Capital grants and contributions                | 107,570               | -                     | 353,962               | 187,158               | 853,361               | 361,549               | 115,830               | -                     |
| Total governmental activities program revenues  | <u>601,436</u>        | <u>710,830</u>        | <u>1,023,342</u>      | <u>1,343,781</u>      | <u>1,856,334</u>      | <u>1,979,653</u>      | <u>1,345,111</u>      | <u>1,284,943</u>      |
| Business-type activities:                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Charges for services:                           |                       |                       |                       |                       |                       |                       |                       |                       |
| Electric  | 4,536,237             | 4,635,959             | 5,151,705             | 5,459,146             | 6,010,908             | 6,642,889             | 7,076,337             | 7,427,476             |
| Water   | 704,566               | 773,316               | 865,743               | 841,357               | 805,151               | 818,193               | 785,796               | 831,730               |
| Sewer   | 721,442               | 533,921               | 556,229               | 544,123               | 535,191               | 629,144               | 546,929               | 566,441               |
| Gas   | 3,076,476             | 3,332,471             | 4,629,777             | 4,224,868             | 4,559,301             | 3,985,313             | 3,286,965             | 3,027,700             |
| Total business-type activities program revenues | <u>9,038,721</u>      | <u>9,275,667</u>      | <u>11,203,454</u>     | <u>11,069,494</u>     | <u>11,910,551</u>     | <u>12,075,539</u>     | <u>11,696,027</u>     | <u>11,853,347</u>     |
| Total primary government program revenues       | <u>9,640,157</u>      | <u>9,986,497</u>      | <u>12,226,796</u>     | <u>12,413,275</u>     | <u>13,766,885</u>     | <u>14,055,192</u>     | <u>13,041,138</u>     | <u>13,138,290</u>     |
| Net (expense)/revenue                           |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities                         | (3,661,546)           | (6,522,713)           | (3,174,860)           | (3,158,497)           | (3,181,142)           | (3,607,675)           | (4,078,475)           | (5,465,716)           |
| Business-type activities                        | 1,134,262             | 506,099               | 863,690               | 673,889               | 808,273               | 910,835               | 739,032               | 627,165               |
| Total primary government net expense            | <u>\$ (2,527,284)</u> | <u>\$ (6,016,614)</u> | <u>\$ (2,311,170)</u> | <u>\$ (2,484,608)</u> | <u>\$ (2,372,869)</u> | <u>\$ (2,696,840)</u> | <u>\$ (3,339,443)</u> | <u>\$ (4,838,551)</u> |

**City of Orange City**  
**Changes in Net Assets**  
**Last Eight Fiscal Years**  
**(accrual basis of accounting)**

|   | Fiscal Year       |                       |                     |                     |                     |                   |                   |                     |
|---|-------------------|-----------------------|---------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
|   | <u>2004</u>       | <u>2005</u>           | <u>2006</u>         | <u>2007</u>         | <u>2008</u>         | <u>2009</u>       | <u>2010</u>       | <u>2011</u>         |
| <b>General Revenues and Other Changes in Net Assets</b> |                   |                       |                     |                     |                     |                   |                   |                     |
| Governmental activities:                                |                   |                       |                     |                     |                     |                   |                   |                     |
| Taxes   |                   |                       |                     |                     |                     |                   |                   |                     |
| Property taxes  | \$ 1,598,367      | \$ 1,617,548          | \$ 2,264,411        | \$ 2,460,542        | \$ 2,511,016        | \$ 2,671,193      | \$ 2,715,434      | \$ 2,819,037        |
| Local option sales tax                                  | 420,939           | 601,573               | 527,909             | 558,312             | 607,761             | 642,603           | 596,463           | 646,042             |
| Unrestricted grants and contributions                   | 25,219            | -                     | -                   | -                   | -                   | -                 | -                 | -                   |
| Investment Earnings                                     | 19,059            | 36,154                | 41,833              | 102,119             | 93,735              | 28,217            | 7,586             | 3,963               |
| General Intergovernmental Revenue                       | 518,541           | 467,121               | 467,540             | -                   | -                   | -                 | -                 | -                   |
| Gain on Sale of Assets                                  | -                 | -                     | -                   | 38,640              | -                   | 3,000             | 189,700           | 100,120             |
| Miscellaneous   | 156,570           | 46,997                | 228,319             | 106,100             | 926,494             | 189,587           | 149,288           | 196,505             |
| Transfers   | 199,663           | 220,926               | 326,004             | 1,321,665           | 243,448             | 319,120           | 281,967           | 569,088             |
| <b>Total governmental activities</b>                    | <u>2,938,358</u>  | <u>2,990,319</u>      | <u>3,856,016</u>    | <u>4,587,378</u>    | <u>4,382,454</u>    | <u>3,853,720</u>  | <u>3,940,438</u>  | <u>4,334,755</u>    |
| Business-type activities                                |                   |                       |                     |                     |                     |                   |                   |                     |
| Investment Earnings                                     | 84,953            | 82,711                | 126,627             | 154,986             | 172,553             | 63,023            | 15,464            | 18,935              |
| Miscellaneous   | 76,445            | 81,406                | 37,173              | 95,661              | 34,220              | 49,080            | 105,173           | 313,364             |
| Transfers   | (199,663)         | (220,926)             | (326,004)           | (1,321,665)         | (243,448)           | (319,120)         | (281,967)         | (569,088)           |
| <b>Total business-type activities</b>                   | <u>(38,265)</u>   | <u>(56,809)</u>       | <u>(162,204)</u>    | <u>(1,071,018)</u>  | <u>(36,675)</u>     | <u>(207,017)</u>  | <u>(161,330)</u>  | <u>(236,789)</u>    |
| <b>Total primary government</b>                         | <u>2,900,093</u>  | <u>2,933,510</u>      | <u>3,693,812</u>    | <u>3,516,360</u>    | <u>4,345,779</u>    | <u>3,646,703</u>  | <u>3,779,108</u>  | <u>4,097,966</u>    |
| <b>Change in Net Assets</b>                             |                   |                       |                     |                     |                     |                   |                   |                     |
| Governmental activities                                 | (723,188)         | (3,532,394)           | 681,156             | 1,428,881           | 1,201,312           | 246,045           | (138,037)         | (1,130,961)         |
| Business-type activities                                | 1,095,997         | 449,290               | 701,486             | (397,129)           | 771,598             | 703,818           | 577,702           | 390,376             |
| <b>Total primary government</b>                         | <u>\$ 372,809</u> | <u>\$ (3,083,104)</u> | <u>\$ 1,382,642</u> | <u>\$ 1,031,752</u> | <u>\$ 1,972,910</u> | <u>\$ 949,863</u> | <u>\$ 439,665</u> | <u>\$ (740,585)</u> |

Note: GASB 34 implemented in 2004 and therefore only 8 years presented.

**City of Orange City**  
**Governmental Activities Tax Revenues By Source**  
**Last Eight Fiscal Years**  
**(accrual basis of accounting)**

| <u>Fiscal</u><br><u>Year</u> |    | <u>Property</u><br><u>Tax</u> |    | <u>Sales</u><br><u>Tax</u> |    | <u>Hotel/Motel</u><br><u>Tax</u> |    | <u>Total</u> |
|------------------------------|----|-------------------------------|----|----------------------------|----|----------------------------------|----|--------------|
| 2004                         | \$ | 1,598,367                     | \$ | 420,939                    | \$ | -                                | \$ | 2,019,306    |
| 2005                         |    | 1,617,548                     |    | 601,573                    |    | -                                |    | 2,219,121    |
| 2006                         |    | 2,264,411                     |    | 490,917                    |    | 36,992                           | 1  | 2,792,320    |
| 2007                         |    | 2,460,542                     |    | 523,641                    |    | 34,671                           |    | 3,018,854    |
| 2008                         |    | 2,511,016                     |    | 574,054                    |    | 33,707                           |    | 3,118,777    |
| 2009                         |    | 2,681,252                     |    | 610,329                    |    | 32,274                           |    | 3,323,855    |
| 2010                         |    | 2,714,146                     |    | 567,477                    |    | 28,986                           |    | 3,310,609    |
| 2011                         |    | 2,819,037                     |    | 612,552                    |    | 33,490                           |    | 3,465,079    |

1 First year of tax

Note: GASB 34 implemented in 2004 and therefore only 8 years presented.



City of Orange City  
Fund Balances of Governmental Funds  
Last Eight Fiscal Years  
(modified accrual basis of accounting)

|                                    | Fiscal Year       |                     |                     |                     |                     |                     |                     |                     |
|------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | <u>2004</u>       | <u>2005</u>         | <u>2006</u>         | <u>2007</u>         | <u>2008</u>         | <u>2009</u>         | <u>2010</u>         | <u>2011</u>         |
| General fund                       |                   |                     |                     |                     |                     |                     |                     |                     |
| Unreserved/ Unassigned             | \$ 872,926        | \$ 1,099,175        | \$ 1,098,999        | \$ 1,308,413        | \$ 1,147,069        | \$ 1,018,865        | \$ 726,767          | \$ 1,611,731        |
| Total General Fund                 | <u>\$ 872,926</u> | <u>\$ 1,099,175</u> | <u>\$ 1,098,999</u> | <u>\$ 1,308,413</u> | <u>\$ 1,147,069</u> | <u>\$ 1,018,865</u> | <u>\$ 726,767</u>   | <u>\$ 1,611,731</u> |
| Other governmental funds           |                   |                     |                     |                     |                     |                     |                     |                     |
| Reserved                           | \$ 110,745        | \$ 119,480          | \$ 121,990          | \$ 125,079          | \$ 140,039          | \$ 142,036          | \$ 139,667          | \$ -                |
| Nonspendable                       |                   |                     |                     |                     |                     |                     |                     | 108,324             |
| Spendable - Restricted             |                   |                     |                     |                     |                     |                     |                     | 1,075,292           |
| Spendable - Assigned               |                   |                     |                     |                     |                     |                     |                     | 52,504              |
| Spendable - Unassigned             |                   |                     |                     |                     |                     |                     |                     | (852,789)           |
| Unreserved, reported in:           |                   |                     |                     |                     |                     |                     |                     |                     |
| Special revenue funds              | 762,553           | 703,759             | 864,920             | 1,045,140           | 1,177,108           | 993,887             | 1,355,796           | -                   |
| Capital project funds              | <u>(592,550)</u>  | <u>(1,520,611)</u>  | <u>(1,252,923)</u>  | <u>16,610</u>       | <u>(330,111)</u>    | <u>(381,481)</u>    | <u>(233,248)</u>    | <u>-</u>            |
| Total all other governmental funds | <u>\$ 280,748</u> | <u>\$ (697,372)</u> | <u>\$ (266,013)</u> | <u>\$ 1,186,829</u> | <u>\$ 987,036</u>   | <u>\$ 754,442</u>   | <u>\$ 1,262,215</u> | <u>\$ 383,331</u>   |

Note: GASB 34 implemented in 2004 and therefore only 8 years presented.  
Note: GASB 54 implemented in 2011 and therefore the changes in presentation for 2011

**City of Orange City**  
**Changes in Fund Balances of Governmental Funds**  
**Last Eight Fiscal Years**  
**(modified accrual basis of accounting)**

|  | Fiscal Year         |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | <u>2004</u>         | <u>2005</u>         | <u>2006</u>         | <u>2007</u>         |
| <b>Revenues</b>  |                     |                     |                     |                     |
| Taxes  | \$ 1,458,609        | \$ 1,609,486        | \$ 1,860,705        | \$ 1,970,930        |
| Special Assessments  | 109,077             | 64,194              | -                   | -                   |
| Licenses and permits                                       | 4,295               | 4,570               | 3,834               | 3,653               |
| Intergovernmental  | 714,322             | 696,446             | 955,020             | 776,619             |
| Charges for services                                       | 266,871             | 322,652             | 296,673             | 396,031             |
| Fines and Forfeits   | 15,218              | 28,854              | 25,988              | 24,537              |
| Contributions from Property Owners                         | 25,219              | 34,793              | 21,084              | 12,965              |
| TIF Revenue  | 139,758             | 163,965             | 437,610             | 487,942             |
| Local Options Sales Tax                                    | 420,938             | 437,608             | 527,909             | 558,312             |
| Investment Earnings  | 19,059              | 36,155              | 41,834              | 102,119             |
| Miscellaneous  | 162,602             | 78,438              | 416,602             | 236,076             |
| Total revenues   | <u>\$ 3,335,968</u> | <u>\$ 3,477,161</u> | <u>\$ 4,587,259</u> | <u>\$ 4,569,184</u> |
| <b>Expenditures</b>  |                     |                     |                     |                     |
| Public safety  | 613,755             | 536,420             | 609,050             | 618,705             |
| Public works   | 632,850             | 616,102             | 777,744             | 776,065             |
| Culture and recreation                                     | 1,021,654           | 798,874             | 819,792             | 906,654             |
| Community and economic development                         | 88,712              | 57,082              | 63,075              | 349,564             |
| General government   | 430,926             | 413,772             | 713,236             | 428,095             |
| Capital projects   | 716,091             | 5,048,122           | 1,867,298           | 1,935,310           |
| Debt service   |                     |                     |                     |                     |
| Principal  | 460,000             | 780,000             | 695,000             | 780,000             |
| Interest   | 193,759             | 266,210             | 393,084             | 358,240             |
| Total expenditures   | <u>4,157,747</u>    | <u>8,516,582</u>    | <u>5,938,279</u>    | <u>6,152,633</u>    |
| Excess of revenues<br>over (under) expenditures            | (821,779)           | (5,039,421)         | (1,351,020)         | (1,583,449)         |
| <b>Other financing sources (uses)</b>                      |                     |                     |                     |                     |
| Issuance of Debt   | 705,000             | 4,095,000           | 1,385,000           | 450,000             |
| Proceeds From Sale of Fixed Assets                         | -                   | -                   | -                   | 38,640              |
| Transfers In   | 1,130,113           | 1,133,175           | 1,275,555           | 2,267,414           |
| Transfers Out  | <u>(930,450)</u>    | <u>(912,249)</u>    | <u>(949,551)</u>    | <u>(945,749)</u>    |
| Total other financing sources (uses)                       | <u>904,663</u>      | <u>4,315,926</u>    | <u>1,711,004</u>    | <u>1,810,305</u>    |
| Net change in fund balances                                | <u>\$ 82,884</u>    | <u>\$ (723,495)</u> | <u>\$ 359,984</u>   | <u>\$ 226,856</u>   |
| Debt Service as a percentage of noncapital<br>expenditures | 15.7%               | 12.3%               | 18.0%               | 18.4%               |

Note: GASB 34 implemented in 2004 therefore only 8 years presented.

**City of Orange City**  
**Changes in Fund Balances of Governmental Funds**  
**Last Eight Fiscal Years**  
**(modified accrual basis of accounting)**

| Fiscal Year         |                     |                     |                     |
|---------------------|---------------------|---------------------|---------------------|
| <u>2008</u>         | <u>2009</u>         | <u>2010</u>         | <u>2011</u>         |
| \$ 2,030,435        | \$ 2,114,229        | \$ 2,150,832        | \$ 2,357,270        |
| -                   | -                   | 32,393              | -                   |
| 5,120               | 3,859               | 3,927               | 4,541               |
| 1,857,893           | 1,491,067           | 826,938             | 748,271             |
| 381,090             | 434,216             | 432,831             | 440,500             |
| 31,304              | 25,239              | 28,798              | 28,640              |
| 9,686               | 6,788               | 5,005               | 8,109               |
| 496,167             | 567,023             | 563,314             | 468,922             |
| 607,761             | 642,603             | 596,463             | 646,042             |
| 93,737              | 29,767              | 7,586               | 3,963               |
| 499,514             | 209,521             | 326,357             | 342,347             |
| <u>\$ 6,012,707</u> | <u>\$ 5,524,312</u> | <u>\$ 4,974,444</u> | <u>\$ 5,048,605</u> |
| 896,293             | 882,662             | 1,074,560           | 757,212             |
| 937,386             | 1,055,055           | 1,128,842           | 810,124             |
| 1,194,084           | 1,492,116           | 1,107,667           | 1,102,791           |
| 337,597             | 418,465             | 345,945             | 221,428             |
| 453,942             | 428,584             | 601,476             | 695,362             |
| 1,799,431           | 718,347             | 1,414,710           | 2,336,490           |
| 870,000             | 825,000             | 1,450,000           | 850,000             |
| 352,962             | 384,001             | 371,011             | 347,366             |
| <u>6,841,695</u>    | <u>6,204,230</u>    | <u>7,494,211</u>    | <u>7,120,773</u>    |
| (828,988)           | (679,918)           | (2,519,767)         | (2,072,168)         |
| 1,650,000           | -                   | 2,425,000           | 1,500,000           |
| 12,224              | -                   | 27,850              | -                   |
| 1,276,556           | 2,085,762           | 1,273,474           | 1,135,326           |
| <u>(1,033,108)</u>  | <u>(1,766,642)</u>  | <u>(991,507)</u>    | <u>(566,238)</u>    |
| <u>1,905,672</u>    | <u>319,120</u>      | <u>2,734,817</u>    | <u>2,069,088</u>    |
| <u>\$ 1,076,684</u> | <u>\$ (360,798)</u> | <u>\$ 215,050</u>   | <u>\$ (3,080)</u>   |
| 26.5%               | 24.2%               | 30.0%               | 25.0%               |

**City of Orange City**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

| Fiscal<br>Year<br>Ended<br>June 30 | Real Property     |                              | Utilities         |                              | Total             |                              | Assessed<br>Value as a<br>Percentage of<br>Estimated<br>Actual Value |
|------------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|------------------------------|--|
|                                    | Assessed<br>Value | Estimated<br>Actual<br>Value | Assessed<br>Value | Estimated<br>Actual<br>Value | Assessed<br>Value | Estimated<br>Actual<br>Value |  |
|                                    |                   |                              |                   |                              |                   |                              |  |
| 2002                               | \$ 111,996,353    | \$ 172,401,657               | \$ 345,740        | \$ 345,740                   | \$ 112,342,093    | \$ 172,747,397               | 65.03%   |
| 2003                               | 114,153,308       | 187,368,989                  | 405,828           | 405,828                      | 114,559,136       | 187,774,817                  | 61.01%   |
| 2004                               | 121,880,002       | 197,777,207                  | 457,062           | 457,062                      | 122,337,064       | 198,234,269                  | 61.71%   |
| 2005                               | 133,223,718       | 213,808,393                  | 446,521           | 446,521                      | 133,670,239       | 214,254,914                  | 62.39%   |
| 2006                               | 135,062,294       | 218,543,204                  | 2,881,675         | 2,881,675                    | 137,943,969       | 221,424,879                  | 62.30%   |
| 2007                               | 144,958,608       | 239,180,184                  | 4,698,999         | 4,698,999                    | 149,657,607       | 243,879,183                  | 61.37%   |
| 2008                               | 150,547,386       | 253,255,181                  | 1,423,254         | 1,423,254                    | 151,970,640       | 254,678,435                  | 59.67%   |
| 2009                               | 160,105,919       | 277,172,987                  | 1,576,622         | 1,576,622                    | 161,682,541       | 278,749,609                  | 58.00%   |
| 2010                               | 170,291,914       | 285,044,596                  | 1,622,383         | 1,622,383                    | 171,914,297       | 286,666,979                  | 59.97%   |
| 2011                               | 179,718,563       | 298,824,053                  | 1,530,692         | 1,530,692                    | 181,249,255       | 300,354,745                  | 60.35%   |

Source: Assessed Values are obtained from the Sioux County Courthouse - Assessor's Office.

**City of Orange City**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

| Fiscal Year | City of Orange City |                      |                    | Sioux County      |                      |                      | Overlapping Rates      |                      |                      |                        | Total Direct & Overlapping Rates |
|-------------|---------------------|----------------------|--------------------|-------------------|----------------------|----------------------|------------------------|----------------------|----------------------|------------------------|----------------------------------|
|             | Operating Millage   | Debt Service Millage | Total City Millage | Operating Millage | Debt Service Millage | Total County Millage | MOC-FV School District |                      |                      |                        |                                  |
|             |                     |                      |                    |                   |                      |                      | Operating Millage      | Debt Service Millage | Total School Millage | Area Vocational School |                                  |
| 2002        | 7.7004              | 4.0786               | 11.7790            | 3.51674           | -                    | 3.51674              | 10.45557               | 1.69767              | 12.15324             | 0.53380                | 27.9828                          |
| 2003        | 7.6933              | 4.3529               | 12.0462            | 3.51512           | 0.42170              | 3.93682              | 10.99933               | 1.60667              | 12.60600             | 0.54774                | 29.1368                          |
| 2004        | 7.7702              | 4.5524               | 12.3226            | 4.41586           | 0.23157              | 4.64743              | 11.26700               | 1.51623              | 12.78323             | 0.65433                | 30.4076                          |
| 2005        | 8.1585              | 5.0902               | 13.2486            | 5.06682           | -                    | 5.06682              | 12.40268               | 1.68975              | 14.09243             | 0.58447                | 32.9924                          |
| 2006        | 7.7024              | 7.0606               | 14.7630            | 5.94423           | 0.20000              | 6.14423              | 12.42950               | 0.35027              | 12.77977             | 0.58365                | 34.2707                          |
| 2007        | 7.6510              | 6.8721               | 14.5231            | 5.89492           | 0.23671              | 6.13163              | 12.34459               | 0.36235              | 12.70694             | 0.66202                | 34.0237                          |
| 2008        | 7.7150              | 6.8502               | 14.5652            | 5.62931           | 0.40462              | 6.03393              | 12.71788               | -                    | 12.71788             | 0.67287                | 33.9899                          |
| 2009        | 7.8009              | 6.5598               | 14.3607            | 5.19800           | 0.40840              | 5.60640              | 11.99370               | -                    | 11.99370             | 0.68751                | 32.6483                          |
| 2010        | 7.8840              | 5.8294               | 13.7134            | 5.07305           | 0.44328              | 5.51633              | 11.99250               | -                    | 11.99250             | 0.65473                | 31.8770                          |
| 2011        | 7.8530              | 6.1102               | 13.9632            | 4.98456           | 0.39015              | 5.37471              | 12.77383               | -                    | 12.77383             | 0.67631                | 32.7881                          |

Taxes due July 1

Taxes delinquent first half - October 1; second half - April 1.

Penalties for delinquency: 1.5 percent per month.

Discount allowed: none

Uncollected taxes handled as follows: delinquent real estate tax list published in newspaper prior to May 16.

Taxes collected by Sioux County and distributed to the City of Orange City in proportion of its levy to all levies.

Tax sale date: first Monday in June.

Source: The tax rates are obtained from the Sioux County Courthouse - Auditor's Office.

**City of Orange City**  
**Principal Property Taxpayers**  
**June 30, 2011**

|  | 2011                          |                       |             | 2000                                      |                       |             |
|--|-------------------------------|-----------------------|-------------|---|-----------------------|-------------|
|  | <u>Taxpayer</u>               | <u>Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Assessed Value</u> | <u>Assessed Value</u> | <u>Rank</u> |
|  | Staples Inc (Welsh)           | \$ 9,268,450          | 1           | 3.1%                                      | \$ 11,678,620         | 1           |
|  | Vogel Enterprises Inc.        | 8,253,790             | 2           | 2.7%                                      | 4,892,930             | 2           |
|  | Advanced Brands LLC           | 5,319,160             | 3           | 1.8%                                      |                       |             |
|  | OCDC, Inc.                    | 2,598,680             | 4           | 0.9%                                      |                       |             |
|  | Pizza Ranch Headquarters      | 2,021,640             | 5           | 0.7%                                      |                       |             |
|  | Krull Ltd.                    | 1,635,140             | 6           | 0.5%                                      | 852,382               | 4           |
|  | Iowa State Bank Orange City   | 1,515,870             | 7           | 0.5%                                      |                       |             |
|  | Tech Industries LLC           | 1,394,530             | 8           | 0.5%                                      |                       |             |
|  | Northwest Rural Electric Coop | 1,340,585             | 9           | 0.4%                                      |                       |             |
|  | Dutch Colony Inn              | 1,335,350             | 10          | 0.4%                                      |                       |             |
|  | Frontier Telephone            |                       |             |   | 386,645               | 9           |
|  | Kepp Realty                   |                       |             |   | 532,232               | 7           |
|  | Kraai Furniture               |                       |             |   | 494,803               | 8           |
|  | Northwestern Bank Orange City |                       |             |   | 639,017               | 5           |
|  | Orange Colony Investors       |                       |             |   | 464,889               | 6           |
|  | Excel Specialty Products      | -                     |             |   | 2,637,706             | 3           |
|  | Totals                        | \$ 34,683,195         |             | 11.5%                                     | \$ 22,579,224         |             |
|  |                               |                       |             |   |                       | 13.8%       |

Source: Assessed Values are obtained from the Sioux County Courthouse - Assessor's Office.

**City of Orange City**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

| Fiscal Year<br>Ended<br><u>6/30</u> | Total Tax<br>Levy for<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |                  | Delinquent<br>Tax<br>Collections | Total Collections<br>to Date |                  |
|-------------------------------------|--------------------------------------|---|------------------|----------------------------------|------------------------------|------------------|
|                                     |                                      | <u>Amount</u>                                   | <u>% of Levy</u> |                                  | <u>Amount</u>                | <u>% of Levy</u> |
| 2002                                | \$ 1,360,160                         | \$ 1,428,917                                    | 105.06%          | -                                | \$ 1,428,917                 | 105.06%          |
| 2003                                | 1,438,760                            | 1,467,196                                       | 101.98%          | -                                | 1,467,196                    | 101.98%          |
| 2004                                | 1,578,960                            | 1,531,410                                       | 96.99%           | -                                | 1,531,410                    | 96.99%           |
| 2005                                | 1,574,394                            | 1,609,486                                       | 102.23%          | -                                | 1,609,486                    | 102.23%          |
| 2006                                | 1,858,206                            | 1,860,705                                       | 100.13%          | -                                | 1,860,705                    | 100.13%          |
| 2007                                | 1,964,663                            | 1,970,930                                       | 100.32%          | -                                | 1,970,930                    | 100.32%          |
| 2008                                | 2,024,653                            | 2,030,435                                       | 100.29%          | -                                | 2,030,435                    | 100.29%          |
| 2009                                | 2,099,098                            | 2,114,229                                       | 100.72%          | -                                | 2,114,229                    | 100.72%          |
| 2010                                | 2,127,308                            | 2,150,832                                       | 101.11%          | -                                | 2,150,832                    | 101.11%          |
| 2011                                | 2,351,672                            | 2,357,270                                       | 100.24%          | -                                | 2,357,270                    | 100.24%          |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**City of Orange City**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

| Fiscal Year | Governmental Activities  | Business-Type Activities |             |              |           |              | Total Primary Government | % of Personal Income | Per Capita |
|-------------|--------------------------|--------------------------|-------------|--------------|-----------|--------------|--------------------------|----------------------|------------|
|             | General Obligation Bonds | Electric Bonds           | Water Bonds | Sewer Bonds  | Gas Bonds |              |                          |                      |            |
| 2002        | \$ 3,105,000             | \$ 300,000               | \$ 880,000  | \$ 1,640,000 | \$ -      | \$ 5,925,000 | \$                       | 1,060                |            |
| 2003        | 3,910,000                | -                        | 775,000     | 1,500,000    | -         | 6,185,000    |                          | 1,107                |            |
| 2004        | 4,155,000                | 2,120,000                | 2,810,000   | 1,340,000    | 1,660,000 | 12,085,000   |                          | 2,162                |            |
| 2005        | 7,470,000                | 2,005,000                | 2,670,000   | 1,170,000    | 1,580,000 | 14,895,000   |                          | 494.14%              |            |
| 2006        | 8,160,000                | 1,885,000                | 2,525,000   | 1,000,000    | 1,500,000 | 15,070,000   |                          | 499.95%              |            |
| 2007        | 7,830,000                | 2,865,000                | 2,375,000   | 910,000      | 1,415,000 | 15,395,000   |                          | 510.73%              |            |
| 2008        | 8,610,000                | 2,745,000                | 2,220,000   | 815,000      | 1,330,000 | 15,720,000   |                          | 521.51%              |            |
| 2009        | 7,785,000                | 2,560,000                | 2,060,000   | 715,000      | 1,240,000 | 14,360,000   |                          | 476.40%              |            |
| 2010        | 8,760,000                | 2,365,000                | 1,955,000   | 610,000      | 1,150,000 | 14,840,000   |                          | 492.32%              |            |
| 2011        | 9,410,000                | 2,165,000                | 1,850,000   | 500,000      | 1,055,000 | 14,980,000   |                          | 491.26%              |            |

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.  
See the Schedule of Demographic and Economic Statistics on page 96 for personal income and population data.



**City of Orange City**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

| <u>Fiscal<br/>Year</u> | <u>General<br/>Obligation<br/>Bonds</u> | <u>Less: Amounts<br/>Available in Debt<br/>Service Fund</u> | <u>Total</u> | <u>Percentage of<br/>Estimated<br/>Actual Taxable<br/>Value of<br/>Property</u> | <u>Per<br/>Capita</u> |
|------------------------|---|---|--------------|---|-----------------------|
| 2002                   | \$ 3,105,000                            | \$ 69,792   | \$ 3,035,208 | 1.76  | \$ 543                |
| 2003                   | 3,910,000                               | 86,413  | 3,823,587    | 2.04  | 684.13                |
| 2004                   | 4,155,000                               | 51,637  | 4,103,363    | 2.07  | 734.19                |
| 2005                   | 7,470,000                               | 34,407  | 7,435,593    | 3.47  | 1,330.40              |
| 2006                   | 8,160,000                               | 21,201  | 8,138,799    | 3.72  | 1,456.22              |
| 2007                   | 7,830,000                               | 24,606  | 7,805,394    | 3.26  | 1,396.56              |
| 2008                   | 8,610,000                               | 47,569  | 8,562,431    | 3.31  | 1,458.18              |
| 2009                   | 7,785,000                               | 49,021  | 7,735,979    | 2.80  | 1,384.14              |
| 2010                   | 8,760,000                               | 42,202  | 8,717,798    | 3.07  | 1,559.81              |
| 2011                   | 9,410,000                               | 64,480  | 9,345,520    | 3.11  | 1,672.13              |

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Population data can be found in the Schedule of Demographic and Economic Statistics.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

**City of Orange City**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2011**

| <u>Governmental Unit</u>                         | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> <sup>1</sup> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|--|-----------------------------|---|--|
| Debt repaid with property taxes: School District | \$ -                        | 45.89%  | \$ -   |
| Debt repaid with property taxes; Sioux County    | 8,500,000                   | 14.63%  | 1,243,550  |
| Subtotal, overlapping debt                       |                             |   | <u>\$ 1,243,550</u>                                    |
| City of Orange City direct debt                  |                             |   | <u>9,410,000</u>                                       |
| Total direct and overlapping debt                |                             |   | <u><u>\$ 10,653,550</u></u>                            |

Sources: Debt outstanding data provided by the school and Sioux County Auditor Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Orange City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

City of Orange City  
Legal Debt Margin Information  
Last Ten Fiscal Years

|                                    | <u>2002</u>  | <u>2003</u>  | <u>2004</u>  | <u>2005</u>   | <u>2006</u>   | <u>2007</u>   | <u>2008</u>   | <u>2009</u>   | <u>2010</u>   | <u>2011</u>   |
|------------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Debt Limit                         | \$ 8,654,875 | \$ 9,425,888 | \$ 9,882,991 | \$ 10,712,746 | \$ 11,071,244 | \$ 12,193,959 | \$ 12,662,759 | \$ 13,817,547 | \$ 14,333,349 | \$ 15,017,737 |
| Total net debt applicable to limit | 3,035,208    | 3,823,587    | 4,127,291    | 7,435,593     | 8,128,733     | 7,805,394     | 8,562,431     | 7,735,979     | 8,717,798     | 9,410,000     |
| Legal debt margin                  | \$ 5,619,667 | \$ 5,602,301 | \$ 5,755,700 | \$ 3,277,153  | \$ 2,942,511  | \$ 4,388,565  | \$ 4,100,328  | \$ 6,081,568  | \$ 5,615,551  | \$ 5,607,737  |

Total net debt applicable to the limit  
as a percentage of debt limit

|  |        |        |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|  | 35.07% | 40.56% | 41.76% | 69.41% | 73.42% | 64.01% | 67.62% | 55.99% | 60.82% | 62.66% |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

Legal Debt Margin Calculation for Fiscal Year 2011

|   |  |  |  |  |  |  |  |  |  |                     |
|---|--|--|--|--|--|--|--|--|--|---------------------|
| Assessed value                          |  |  |  |  |  |  |  |  |  |                     |
| Add back: exempt real property          |  |  |  |  |  |  |  |  |  | \$ 300,354,740      |
| Total assessed value                    |  |  |  |  |  |  |  |  |  | <u>300,354,740</u>  |
| Debt limit (5% of total assessed value) |  |  |  |  |  |  |  |  |  | 15,017,737          |
| Debt applicable to limit:               |  |  |  |  |  |  |  |  |  |                     |
| General obligation bonds                |  |  |  |  |  |  |  |  |  | 9,410,000           |
| Total net debt applicable to limit      |  |  |  |  |  |  |  |  |  | <u>9,410,000</u>    |
| Legal debt margin                       |  |  |  |  |  |  |  |  |  | <u>\$ 5,607,737</u> |

Note: Under state finance law, the City of Orange City's outstanding general obligation debt should not exceed 5 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**City of Orange City**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Electric Charges and Other</u> | <u>Less:</u>              |                 | <u>Net Available Revenue</u> | <u>Debt Service</u> |                 | <u>Coverage</u> |
|--------------------|-----------------------------------|---------------------------|-----------------|------------------------------|---------------------|-----------------|-----------------|
|                    |                                   | <u>Operating Expenses</u> | <u>Interest</u> |                              | <u>Principal</u>    | <u>Interest</u> |                 |
| 2002               | \$ 4,015,734                      | \$ 3,217,049              | \$              | 798,685                      | \$ 285,000          | \$ 21,933       | 2.60            |
| 2003               | 4,331,927                         | 3,387,989                 |                 | 943,938                      | 300,000             | 6,360           | 3.08            |
| 2004               | 4,610,432                         | 3,548,978                 |                 | 1,061,454                    | -                   | 54,302          | 19.55           |
| 2005               | 4,664,357                         | 3,673,367                 |                 | 990,990                      | 115,000             | 71,539          | 5.31            |
| 2006               | 5,198,997                         | 4,119,213                 |                 | 1,079,784                    | 120,000             | 69,598          | 5.70            |
| 2007               | 5,526,151                         | 4,458,342                 |                 | 1,067,809                    | 120,000             | 67,228          | 5.70            |
| 2008               | 6,099,521                         | 4,924,582                 |                 | 1,174,939                    | 120,000             | 113,070         | 5.04            |
| 2009               | 6,694,451                         | 5,431,989                 |                 | 1,262,462                    | 185,000             | 109,828         | 4.28            |
| 2010               | 7,109,106                         | 5,855,120                 |                 | 1,253,986                    | 195,000             | 103,259         | 4.20            |
| 2011               | 7,478,164                         | 6,123,211                 |                 | 1,354,953                    | 200,000             | 96,163          | 4.58            |

| <u>Fiscal Year</u> | <u>Water Charges and Other</u> | <u>Less:</u>              |                 | <u>Net Available Revenue</u> | <u>Debt Service</u> |                 | <u>Coverage</u> |
|--------------------|--------------------------------|---------------------------|-----------------|------------------------------|---------------------|-----------------|-----------------|
|                    |                                | <u>Operating Expenses</u> | <u>Interest</u> |                              | <u>Principal</u>    | <u>Interest</u> |                 |
| 2002               | \$ 669,022                     | \$ 379,238                | \$              | 289,784                      | \$ 105,000          | \$ 44,129       | 1.94            |
| 2003               | 698,186                        | 367,933                   |                 | 330,253                      | 105,000             | 39,129          | 2.29            |
| 2004               | 739,503                        | 344,796                   |                 | 394,707                      | 115,000             | 18,655          | 2.95            |
| 2005               | 791,769                        | 365,148                   |                 | 426,621                      | 140,000             | 106,136         | 1.73            |
| 2006               | 899,840                        | 403,089                   |                 | 496,751                      | 145,000             | 103,638         | 2.00            |
| 2007               | 879,053                        | 412,036                   |                 | 467,017                      | 150,000             | 100,573         | 1.86            |
| 2008               | 836,792                        | 436,143                   |                 | 400,649                      | 155,000             | 98,444          | 1.58            |
| 2009               | 849,428                        | 434,916                   |                 | 414,512                      | 160,000             | 93,700          | 1.63            |
| 2010               | 848,050                        | 472,818                   |                 | 375,232                      | 105,000             | 90,147          | 1.92            |
| 2011               | 1,103,182                      | 541,275                   |                 | 561,907                      | 105,000             | 86,531          | 2.93            |

Note: Operating Expenses do not include depreciation expense

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**City of Orange City**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Sewer Charges and Other</u> | <u>Less: Operating Expenses</u> | <u>Net Available Revenue</u> | <u>Debt Service</u> |                 | <u>Coverage</u> |
|--------------------|--------------------------------|---------------------------------|------------------------------|---------------------|-----------------|-----------------|
|                    |                                |                                 |                              | <u>Principal</u>    | <u>Interest</u> |                 |
| 2002               | \$ 639,941                     | \$ 201,980                      | \$ 437,961                   | \$ 135,000          | \$ 87,819       | 1.97            |
| 2003               | 644,207                        | 238,419                         | 405,788                      | 155,000             | 81,103          | 1.72            |
| 2004               | 768,692                        | 224,702                         | 543,990                      | 160,000             | 64,438          | 2.42            |
| 2005               | 564,290                        | 247,456                         | 316,834                      | 170,000             | 60,038          | 1.38            |
| 2006               | 593,671                        | 253,267                         | 340,404                      | 170,000             | 54,853          | 1.51            |
| 2007               | 578,003                        | 268,559                         | 309,444                      | 90,000              | 49,243          | 2.22            |
| 2008               | 566,841                        | 272,846                         | 293,995                      | 95,000              | 46,120          | 2.08            |
| 2009               | 653,684                        | 272,149                         | 381,535                      | 100,000             | 41,567          | 2.70            |
| 2010               | 570,344                        | 307,400                         | 262,944                      | 105,000             | 36,646          | 1.86            |
| 2011               | 574,887                        | 385,032                         | 189,855                      | 95,000              | 31,369          | 1.50            |

| <u>Fiscal Year</u> | <u>Gas Charges and Other</u> | <u>Less: Operating Expenses</u> | <u>Net Available Revenue</u> | <u>Debt Service</u> |                 | <u>Coverage</u> |
|--------------------|------------------------------|---------------------------------|------------------------------|---------------------|-----------------|-----------------|
|                    |                              |                                 |                              | <u>Principal</u>    | <u>Interest</u> |                 |
| 2002               | \$ -                         | \$ -                            | \$ -                         | \$ -                | \$ -            | 5.46            |
| 2003               | 2,432,713                    | 2,180,805                       | 251,908                      | -                   | 46,133          | 1.67            |
| 2004               | 3,079,659                    | 2,746,305                       | 333,354                      | 115,000             | 84,730          | 1.41            |
| 2005               | 3,337,962                    | 3,124,186                       | 213,776                      | 80,000              | 71,455          | 1.89            |
| 2006               | 4,637,573                    | 4,368,962                       | 268,611                      | 80,000              | 61,898          | 1.84            |
| 2007               | 4,241,273                    | 3,974,228                       | 267,045                      | 85,000              | 60,138          | 2.36            |
| 2008               | 4,579,950                    | 4,231,917                       | 348,033                      | 85,000              | 62,632          | 2.45            |
| 2009               | 3,990,079                    | 3,628,756                       | 361,323                      | 90,000              | 57,548          | 2.90            |
| 2010               | 3,289,164                    | 2,869,709                       | 419,455                      | 90,000              | 54,598          | 2.15            |
| 2011               | 3,029,413                    | 2,714,939                       | 314,474                      | 95,000              | 51,344          |                 |

Note: Operating Expenses do not include depreciation expense

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City  
Principal Employers  
June 30, 2011

|  | 2011                      |                  |             | 2006   |                  |             |
|--|---------------------------|------------------|-------------|--|------------------|-------------|
|  | <u>Employer</u>           | <u>Employees</u> | <u>Rank</u> | <u>Percentage<br/>of Total City<br/>Employment</u> | <u>Employees</u> | <u>Rank</u> |
|  | Advance Brands            | 475              | 2           | 8.09%  | 600              | 1           |
|  | Staples Inc.              | 450              | 3           | 7.66%  | 350              | 4           |
|  | Diamond Vogel Paints      | 350              | 4           | 5.96%  | 375              | 3           |
|  | EZ Liner Industrial       | 40               | 9           | 0.68%  | 50               | 8           |
|  | Med-Tec Inc.              | 75               | 6           | 1.28%  | 100              | 6           |
|  | Northwestern College      | 180              | 5           | 3.07%  | 187              | 5           |
|  | Orange City Health System | 500              | 1           | 8.51%  | 460              | 2           |
|  | Revival Animal Health     | 60               | 8           | 1.02%  | 60               | 7           |
|  | Tec Industries/Quatro     | 69               | 7           | 1.18%  | 40               | 9           |
|  | Silent Drive              | 30               | 10          | 0.51%  | 30               | 10          |
|  | Total                     | <u>2,229</u>     |             | 37.96%   | <u>2,252</u>     |             |
|  |                           |                  |             |  |                  | 40.29%      |

Note: Source for this data was obtained from Iowa Workforce Development

Note: Information not available prior to 2006

**City of Orange City**  
**Full-Time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

| <b>Function</b>        | <b><u>2002</u></b> | <b><u>2003</u></b> | <b><u>2004</u></b> | <b><u>2005</u></b> | <b><u>2006</u></b> | <b><u>2007</u></b> | <b><u>2008</u></b> | <b><u>2009</u></b> | <b><u>2010</u></b> | <b><u>2011</u></b> |
|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Government     | 9                  | 9                  | 9                  | 9                  | 9                  | 9                  | 9                  | 9                  | 9                  | 10                 |
| Public Safety          |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Police Officers        | 7                  | 7                  | 7                  | 7                  | 7                  | 7                  | 7                  | 7                  | 7                  | 7                  |
| Highways and streets   | 3                  | 3                  | 3                  | 3                  | 3                  | 3                  | 3                  | 3                  | 3                  | 3                  |
| Culture and recreation | 2                  | 2                  | 2                  | 2                  | 3                  | 3                  | 3                  | 3                  | 3                  | 3                  |
| Library                | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  |
| Electric               | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  |
| Water                  | 2                  | 2                  | 2                  | 2                  | 2                  | 2                  | 2                  | 2                  | 2                  | 2                  |
| Sewer                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  |
| Gas                    | 2                  | 2                  | 2                  | 2                  | 2                  | 2                  | 2                  | 2                  | 2                  | 2                  |
| Total                  | 36                 | 36                 | 36                 | 36                 | 37                 | 37                 | 37                 | 37                 | 37                 | 38                 |

Sources: Various city departments.

City of Orange City  
Operating Indicators by Function/Program  
Last Six Fiscal Years

| <u>Function/Program</u>                          | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>General Government</b>                        |             |             |             |             |             |             |
| Zoning Permits Issued                            | 106         | 66          | 97          | 79          | 86          | 56          |
| <b>Police</b>                                    |             |             |             |             |             |             |
| Physical Arrests                                 | 96          | 102         | 126         | 93          | 102         | 99          |
| Parking Violations                               | 246         | 239         | 310         | 240         | 252         | 231         |
| Traffic Violations                               | 373         | 355         | 384         | 284         | 291         | 460         |
| <b>Fire</b>                                      |             |             |             |             |             |             |
| Emergency Responses                              | 48          | 51          | 56          | 49          | 61          | 61          |
| Fires Extinguished                               | 13          | 8           | 7           | 6           | 4           | 5           |
| <b>Refuse Collection</b>                         |             |             |             |             |             |             |
| Refuse collected (tons per day)                  | 8           | 8           | 8           | 9           | 10          | 9           |
| Recyclables collected (tons per day)             | 1           | 1           | 1           | 1           | 1           | 1           |
| <b>Parks &amp; Recreation</b>                    |             |             |             |             |             |             |
| Pool Passes Issued ( Budget Pass)                | 205         | 130         | 114         | 113         | 122         | 93          |
| Pool Passes Issued ( Individual Pass)            | 88          | 73          | 75          | 53          | 78          | 60          |
| Pool Passes Issued ( Family Pass)                | 250         | 276         | 302         | 74          | 224         | 229         |
| Pool Passes Issued ( Senior Pass)                | 11          | 10          | 10          | 4           | 76          | 24          |
| <b>Library</b>                                   |             |             |             |             |             |             |
| Volumes in collection                            | 63,895      | 63,905      | 63,905      | 63,905      | 63,905      | 63,905      |
| Total volumes borrowed                           | 228,650     | 226,250     | 226,250     | 226,250     | 226,250     | 226,250     |
| <b>Water</b>                                     |             |             |             |             |             |             |
| New connections                                  | 28          | 20          | 8           | 5           | 9           | 7           |
| Water main breaks                                | 2           | 3           | 2           | 1           | 3           | 4           |
| Average daily consumption (thousands of gallons) | 1,005       | 953         | 916         | 887         | 983         | 821         |
| Peak daily consumption (thousands of gallons)    | 1,900       | 2,028       | 2,028       | 1,700       | 1,500       | 1,900       |
| <b>Wastewater</b>                                |             |             |             |             |             |             |
| Average daily sewage treatment (thousands of ga  | 1,000       | 950         | 913         | 884         | 1,149       | 1,456       |

Sources: Various city departments.

Note: GASB 44 implemented in 2006 and therefore only 6 years presented.



**City of Orange City**  
**Capital Asset Statistics by Function/Program**  
**Last Six Fiscal Years**

| <u>Function/Program</u>                   | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Police</b>                             |             |             |             |             |             |             |
| Stations                                  | 1           | 1           | 1           | 1           | 1           | 1           |
| Patrol Units                              | 4           | 4           | 4           | 4           | 4           | 4           |
| <b>Fire Station</b>                       | 1           | 1           | 1           | 1           | 1           | 1           |
| <b>Other Public Works</b>                 |             |             |             |             |             |             |
| Streets (miles)                           | 46          | 47          | 47          | 47          | 47          | 47          |
| Streetlights                              | 958         | 961         | 985         | 889         | 927         | 927         |
| Traffic Signals                           | 2           | 2           | 2           | 2           | 2           | 2           |
| <b>Parks and recreation</b>               |             |             |             |             |             |             |
| Aceage                                    | 223         | 223         | 230         | 230         | 230         | 230         |
| Playgrounds                               | 4           | 4           | 4           | 5           | 5           | 5           |
| Baseball/softball diamonds                | 2           | 2           | 2           | 2           | 2           | 2           |
| Soccer/football fields                    | 4           | 4           | 4           | 4           | 4           | 4           |
| Community Center                          | 1           | 1           | 1           | 1           | 1           | 1           |
| <b>Water</b>                              |             |             |             |             |             |             |
| Water Mains (miles)                       | 45          | 47          | 47          | 47          | 47          | 47          |
| Fire Hydrants                             | 275         | 275         | 282         | 282         | 282         | 282         |
| Storage capacity (thousands of gallons)   | 950         | 950         | 950         | 950         | 950         | 950         |
| <b>Wastewater</b>                         |             |             |             |             |             |             |
| Sanitary Sewers (miles)                   | 41          | 41          | 41          | 41          | 41          | 41          |
| Storm Sewer (miles)                       | 19          | 19          | 19          | 19          | 19          | 19          |
| Treatment capacity (thousands of gallons) | 3,000       | 3,000       | 3,000       | 3,000       | 3,000       | 3,000       |

**Sources: Various city departments**

Note: GASB 44 implemented in 2006 and therefore only 6 years presented.

# City of Orange City Demographic and Economic Statistics

| <u>Calendar<br/>Year</u> | <u>Population</u> | <u>Personal<br/>Income<br/>(thousands<br/>of dollars)</u> | <u>Per<br/>Capita<br/>Personal<br/>Income</u> | <u>Median<br/>Age</u> | <u>Education<br/>Level in Years<br/>of Schooling</u> | <u>School<br/>Enrollment</u> | <u>Unemployment<br/>Rate</u> |
|--------------------------|-------------------|---|---|-----------------------|--|------------------------------|------------------------------|
| 2004                     | 5,589             | 30,143  | 17,413  | 27.9                  | 13   | 999                          | -97.4%                       |
| 2005                     | 5,589             | 30,143  | 17,413  | 27.9                  | 13   | 999                          | 2.6%                         |
| 2006                     | 5,589             | 30,143  | 17,413  | 27.9                  | 13   | 999                          | 2.6%                         |
| 2007                     | 5,589             | 30,143  | 17,413  | 27.9                  | 13   | 999                          | 2.6%                         |
| 2008                     | 5,872             | 30,143  | 17,413  | 27.9                  | 13   | 1950                         | 2.3%                         |
| 2009                     | 5,872             | 30,143  | 22,142  | 28.5                  | 16   | 1940                         | 3.9%                         |
| 2010                     | 5,872             | 30,143  | 22,142  | 28.5                  | 16   | 1940                         | 3.9%                         |
| 2011                     | 6,004             | 30,143  | 22,142  | 28.5                  | 16   | 1940                         | 4.1%                         |

Sources: Population, median age, and educational level information provided by the United States Census Bureau. School enrollment data provided by the Orange City school districts.

Note: Personal Income is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

Note: GASB 34 implemented in 2004 and therefore only 8 years presented.



21 1<sup>st</sup> Avenue NW  
P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543  
www.williamscpas.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON OTHER MATTERS AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council  
City of Orange City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, The Orange City Municipal Golf Association discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA as of and for the year ended June 30, 2011, which collectively comprise the City of Orange City, Iowa's basic financial statements, and have issued our report thereon dated December 1, 2011. We did not audit the financial statements of the Orange City Municipal Hospital, a discretely presented component unit, which statements reflect total assets of \$53,578,691 and total operating revenues of \$36,291,090 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on these financial statements, insofar as it relates to the amounts included for the Orange City Municipal Hospital, was based solely on the report of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting:***

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detects and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's response, we did not audit the City's response and, accordingly, we express no opinion on it.

***Compliance and Other Matters:***

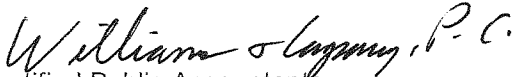
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

This report is intended solely for the information and use of the members of the City Council, management and others within the City of Orange City, Iowa, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

  
Certified Public Accountants

Le Mars, Iowa  
December 1, 2011

**CITY OF ORANGE CITY, IOWA**  
**Schedule of Findings**  
**For the Year Ended June 30, 2011**

**Part I: Summary of the Independent Auditors' Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, and is considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.  
There were no prior year audit findings.

**SIGNIFICANT DEFICIENCIES:**

**II-A-11 Financial Reporting**

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

**Part III: Other Findings Related to Required Statutory Reporting**

III-A-11 - Certified Budget – City expenditures during the year ended June 30, 2011, exceeded amounts budgeted in the debt service function.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-11 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF ORANGE CITY, IOWA**  
**Schedule of Findings**  
**For the Year Ended June 30, 2011**

**Part III: Other Findings Related to Required Statutory Reporting - (Continued)**

- III-C-11 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
- III-D-11 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.
- III-E-11 - Questionable Expenditures - We noted no questionable expenditures during our audit.
- III-F-11 - Revenue Bonds - No violations of revenue bond resolutions were noted.
- III-G-11 - Business Transactions - Business transactions between the City and city officials are detailed as follows:

| <b>Name, Title and Business Connection</b>                                | <b>Transaction/<br/>Description</b> | <b>Amount</b> |
|---|-------------------------------------|---------------|
| Teresa Jasper, part-time employee of the City<br>Owner of Country Colors  | Retailer                            | \$ 10,991     |
| Bruce Muilenburg, City Council Member<br>Owner of De Koffiehoek & Bristro | Retailer                            | \$ 619        |

The transaction with Bruce Muilenburg does not represent a conflict of interest. The transaction with Teresa Jasper may represent a conflict of interest due to the amount of the transactions. The City should consult legal council for determination.

- III-H-11 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.